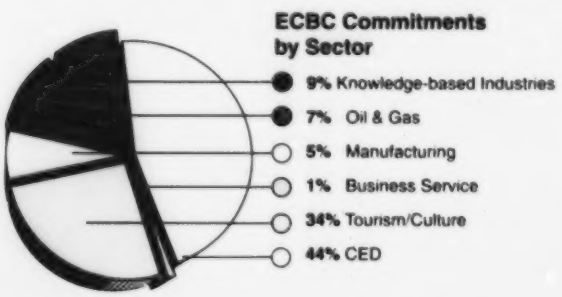
ENTERPRISE CAPE BRETON CORPORATION
Canada

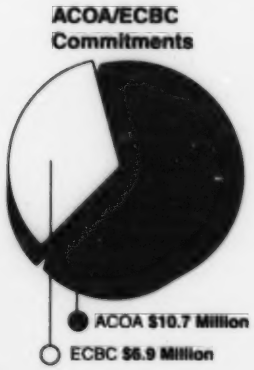
ECBC Key Performance Indicators **At A Glance**

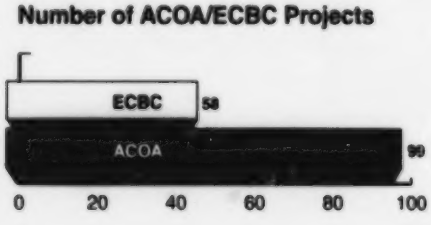
Project Summary – Levels of Activity (2001/2002)

	ECBC Programs	All Programs (ACOA/ECBC)
Total number of projects	**58**	**157**
Total dollar value of commitments	**$6,886,249**	**$17,548,367**
Total dollars leveraged	**$8,480,148**	**$20,264,790**
Total number of jobs created (estimated)	**68***	**308**
Percentage of assistance to commercial projects	**19%**	**43%**
Percentage of assistance to non-commercial projects and CBDCs	**81%**	**57%**
Percentage of repayable contributions	**18%**	**43%**
Percentage of non-repayable contributions	**82%**	**57%**

* Majority of ECBC funding invested in strategic community infrastructure which does not lend itself to immediate job creation.







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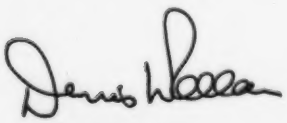
The Honourable Gerry Byrne, P.C., M.P.
Minister of State for
Enterprise Cape Breton Corporation
and the Atlantic Canada Opportunities Agency
House of Commons
Ottawa, Ontario K1A 0A6

Dear Minister:

On behalf of the Board of Directors, I am pleased to present the Annual Report of Enterprise Cape Breton Corporation for the fiscal year ended March 31, 2002.

This Annual Report is submitted in accordance with the provisions of the *Financial Administration Act* and the *Government Organization Act, Atlantic Canada, 1987*. It contains the annual financial statements together with the auditor's report thereon.

Yours sincerely,



Dennis Wallace
Chairman of the Board of Directors
Enterprise Cape Breton Corporation

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Chairman's Message

Dennis Wallace, Chairman

It is indeed a pleasure to have an opportunity to contribute to the 2001/2002 Annual Report of Enterprise Cape Breton Corporation (ECBC), having only been appointed as Chair in the fall of 2001. The Corporation plays an important role, on behalf of the Government of Canada, in assisting the community in its efforts to build a diversified economy, in spite of dramatic structural change.

The Government of Canada's decision in 2001 to discontinue the operations of DEVCO and the provincial government's decision to close SYSCO, brought an end to coal and steel production on Cape Breton Island. In a community which, for decades, has had an unemployment rate well above the provincial and national averages, the loss of another 2,300 well-paying jobs has had a significant impact. The economic underpinnings of the local economy have been lost. These hallmark events have accelerated the need for economic renewal on Cape Breton Island, underscoring the importance of ECBC's development role.

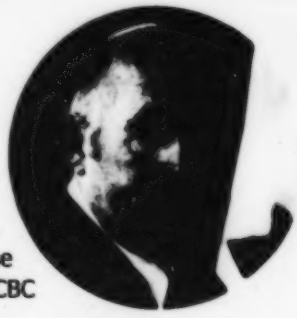
ECBC is well positioned to respond to the needs of the community. Since assuming the role of Chairman of the Board, I have been impressed by the dedication and commitment of the Corporation's staff to the redevelopment of the Island. As members of the Cape Breton Island community, the staff has a personal stake in the Corporation's success. They bring to their work an in-depth understanding of the community they serve. Economic development is a priority for the citizens of Cape Breton Island and Mulgrave and, through the programs and services delivered by ECBC, the Government of Canada is seen as making a major contribution to the people of the area.

As Chairman, I have the pleasure of working with a group of board members representing the Cape Breton community. Through their professional expertise and diverse community perspective, these individuals are providing strong leadership in overseeing the Corporation's operations and strategic direction. Of particular note, in 2001/2002, is the Board's work in the area of corporate governance. In co-operation with the Conference Board of Canada, the Board has taken the lead in the formalization of new corporate governance practices, which will impact on the entire organization. The Board is also overseeing the implementation of the Corporation's performance management framework. ECBC is currently in the second year of a five-year plan that it established in the wake of the DEVCO closure. In accordance with its performance management framework, targets have been established for a number of benchmarks including commercial and non-commercial activity levels, job creation, monies leveraged and new exports. I am pleased to report that progress is being made on these fronts.

ECBC is delivering on its objectives. The Board of Directors is providing strong leadership, and the staff is dedicated to the community it serves. As this annual report demonstrates, the Government of Canada, with ECBC as its principal delivery agent for economic development programs, is making a significant contribution to the economic renewal of Cape Breton Island.

COO's Message

Rick Beaton, Chief Operating Officer



It is often said that change is the only true constant. This certainly holds true when we look at the economy of Cape Breton Island, particularly in recent years.

Yet, despite the economic changes being experienced, something new and exciting is emerging. A renewed sense of optimism is taking hold. Cape Bretoners, who have always been blessed with an indomitable spirit, are restructuring their industrial base in order to seize new opportunities and to take their place in the global economy. ECBC is making a significant contribution to this effort.

The Corporation has also undergone significant changes over the last year as it continues to provide quality programs and services to the people of Cape Breton Island and Mulgrave. ECBC pursues its mandate by being responsive to the needs of the community and, at the same time, by taking a leadership role in the identification and pursuit of opportunity. Through the programs it delivers, the Corporation responds to applications from commercial and non-commercial clients. With its development focus, specific sectors have been identified as having significant growth potential for the Island. These include the oil and gas sector, tourism, knowledge-based industries, environmental remediation, resource industries and community economic development. Throughout 2001/2002, the Corporation actively pursued opportunities on these fronts.

In an ongoing commitment to improve efficiency in carrying out its mission and mandate, ECBC has instituted a number of internal changes. In the area of human resources (HR), a number of new staff have been added to ensure clients have access to a consistently high level of business expertise. Updated HR measures have been introduced to further empower employees and to provide support for continuous learning opportunities. In terms of financial management, an Internal Audit Unit has been established to ensure efficiency and effectiveness in corporate procedures and the safeguarding of assets. The Corporation has made improvements to its accounts receivable portfolio and has met cash flow projections.

In terms of overall performance, there has been strong progress made in the achievement of job creation and leveraged investment goals. The Corporation has successfully launched its trade promotion activities and has experienced positive results.

ECBC also provides administrative and technical support to the Cape Breton Growth Fund (CBGF) which has been established to administer the incremental economic adjustment funding provided by the Government of Canada and the Province of Nova Scotia in the wake of the closure of DEVCO. In addition, the Corporation has established its own delivery mechanism for the new Community Adjustment Fund, created to tailor assistance to communities most affected by the DEVCO closure.

As this annual report will demonstrate, it has truly been a year of change and accomplishments at ECBC. Our success is due to the hard work of ECBC's Board of Directors, management and staff. I am proud to lead such a team of dedicated professionals.

ECBC Senior Management Team

Rick Beaton, Vice-President and Chief Operating Officer
Throughout his extensive and varied public service career, Rick has acquired significant expertise in the development and management of various economic development programs as well as in strategic planning and policy. As COO, he has responsibility, on behalf of the Chairman, for the day-to-day operations of the Corporation.

Francis Mullins, Director General, Corporate Services and Treasurer
Francis has been with ECBC and its corporate predecessor since 1973. As the Director General, Corporate Services, he is responsible for finance, payments administration and information services.

Ken Montgomery, P.Eng, Director General, Development
A professional engineer with over 25 years in the field, Ken's team is responsible for non-commercial projects as well as ECBC's development focus in information technology, trade and community economic development. He is also responsible for policy and research.

Jeff Mullen, C.A., Director General, Program Delivery
Jeff heads the team of professional commercial account managers who evaluate commercial projects and provide business counselling.

Lori Marenick, C.A., Director, Internal Audit
As the Director of Internal Audit, Lori is responsible for monitoring the Corporation's performance measurement and overall compliance capabilities.

Joe Wild, LL.B., M.B.A., Legal Counsel and Corporate Secretary
Joe has been the full-time legal counsel to the Corporation since 1997. An employee of the Department of Justice, he serves as ECBC's Corporate Secretary.

Wendell MacGillivary, Director, Advocacy
As the Director of Advocacy, Wendell is located in Halifax and works to ensure that Cape Breton issues are adequately addressed within the federal and provincial bureaucracy.

D.A. Landry, LL.B., Director, Communications
As the Director of Communications, D.A. oversees the planning and implementation of ECBC's internal and external communications activities.

Corporate Profile

Corporate Mandate

The Enterprise Cape Breton Corporation Act provides the Corporation with a broad legislative mandate which reads:

> The objects of the Corporation are to promote and assist, either alone or in conjunction with any person or the Government of Canada or of Nova Scotia or any agency of either of those governments, the financing and development of industry on Cape Breton Island* to provide employment outside the coal producing industry and to broaden the base of the economy of Cape Breton Island.
>
> ** This definition of Cape Breton includes the Mulgrave area.*

Mission

The mission statement focuses the Corporation on the major issues affecting the economy of Cape Breton Island and the Mulgrave area. ECBC's mission statement reads:

> Enterprise Cape Breton Corporation is the principal federal government organization for economic development in Cape Breton. ECBC, in partnership with all levels of government, the private sector and other community stakeholders, will use its broad and flexible powers to assist, promote and co-ordinate efforts that foster an environment supportive of the generation of wealth to effect sustainable job creation throughout Cape Breton Island and Mulgrave.

Position Within Government

ECBC is a Crown corporation that reports to Parliament through the Minister of Industry via the Minister of State responsible for the Atlantic Canada Opportunities Agency, Enterprise Cape Breton Corporation and the Cape Breton Growth Fund Corporation. In addition to its own programs, ECBC is responsible for the delivery of the programs of the Atlantic Canada Opportunities Agency (ACOA) for Cape Breton Island. In 1995, ECBC and ACOA signed an initial Memorandum of Understanding (MOU). The MOU was renegotiated with ACOA for an additional five-year term effective April 1, 2000. ECBC designs its programming and economic development strategies to complement ACOA programming.

In August 2000, the CBGF was incorporated as a wholly-owned subsidiary of ECBC with its own Board of Directors. The Governor-in-Council declared that Part X of the *Financial Administration Act* applies to the CBGF as if it were a parent Crown corporation. This means that the CBGF reports separately to Parliament through its own Corporate Plan and annual report. ECBC, through a MOU with the CBGF, provides program and operational support.

In addition to its relationship with ACOA and the CBGF, the Corporation is a member of the Industry Portfolio. ECBC has a history of working in partnership with Human Resources Development Canada (HRDC), the Nova Scotia Department of Economic Development, the Nova Scotia Petroleum Directorate, and the Nova Scotia Department of Tourism on a number of economic development initiatives. ECBC has and will continue to foster strong working relationships with all levels of government.

Activities & Accomplishments

Performance Management Scoreboard

A performance management framework was put in place for Enterprise Cape Breton Corporation in 2000/2001. Developed by ECBC, in consultation with the Treasury Board of Canada, the primary objective of the framework is to ensure that there is a consistent basis for presenting results-oriented information on the Corporation's activities, from year to year. The performance monitoring and evaluation exercise:

- verifies that the Corporation is achieving what it set out to achieve;
- provides feedback on corporate goals and outcomes for management planning; and
- provides a basis for public reporting and accountability.

The new framework incorporates, in a comprehensive manner, the annual and five-year targets established by the Corporation in 2000/2001. Building upon this framework in 2001/2002, the Corporation has added new measures for specific strategic activities, indicated throughout this report. To provide an overview of the Corporation's performance in the wake of the Government of Canada's decision to withdraw from the coal mining industry in Cape Breton, this annual report captures, where possible, specific performance indicators beginning in 1999/2000. It is important to note, however, that the results from 1999/2000 are not part of the five-year targets.

As a Crown corporation, ECBC is a truly unique delivery model for economic development programming in Atlantic Canada. ECBC, through its own programming, can offer incremental and distinct financial support that complements what is available elsewhere in the region. The delivery model is designed to build on local strengths and to give the private sector and community groups a greater role in their own development.

The intended benefits of the ECBC delivery model include cost-effectiveness and single-source delivery of economic development programming on Cape Breton Island. ECBC is able to identify key areas in which to use its own programming and resources to further develop the local economy and to improve the effectiveness of other programs it delivers on behalf of the Government of Canada. Such was true for the Corporation in 2001/2002.

The result of this flexible programming is that, from year to year, the number and percentage of commercial versus non-commercial projects can vary. While non-commercial investment offers its own economic benefits, performance measurements and measurable results are often realized over the longer term, whereas commercial investment produces more immediate and measurable results in terms of job creation, new or increased export sales, leveraged investment, etc. When comparing performance results on an annual basis, it is important to keep this in mind as both types of investment can impact performance results differently.

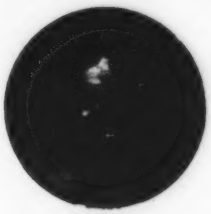
As part of the performance management framework, ECBC has set a target of 70% commercial and 30% non-commercial for assistance under ECBC and ACOA programs. During 2000/2001, this target was met. However, in 2001/2002 non-commercial projects funded through ECBC programs totalled 82%. This change was due to a number of circumstances, including the September 11 terrorist attacks on the U.S., the general economic downturn in the U.S. and Canada, and the decline in the stock market and dot com industry. The slowdown in economic activity ultimately impacted the pace of growth in Canada and Cape Breton Island. As a result of the economic climate, ECBC refocused its programs to use a larger portion of its funding for non-commercial projects.

Given that the Cape Breton economy is in a transitional period, a number of non-commercial projects were needed to help create an environment conducive to private sector/commercial investment. For instance, in the past year, ECBC made a large investment in the local airport, thus upgrading an important element of the Island's transportation infrastructure. As a delivery agent on behalf of the Government of Canada, ECBC has the ability to refer commercial projects to other programs, including ACOA's Atlantic Innovation Fund and Business Development Program, as well as the Cape Breton Growth Fund.

Also contributing to this higher amount of non-commercial assistance is the fact that late in fiscal 2001/2002, two new funds became operational -ECBC's Community Adjustment Fund (CAF) and ACOA's Strategic Community Investment Fund (SCIF). Both funds are focused on non-commercial investment to help communities stimulate investment and job creation. The CAF is a $10 million fund allocated by the Government of Canada in response to the closure of the Prince Mine. The fund is to be invested in those communities most affected by the mine closure. The SCIF is a component of the Atlantic Investment Partnership. This fund is designed to support strategic initiatives in rural areas and help communities to strengthen their economic base.

The rest of this section examines the activities and accomplishments of ECBC in 2001/2002. The activities are analyzed against the targets set in the 2001/2002 Corporate Plan and ECBC's performance management framework.

Activities & Accomplishments



Jeff Mullen
Director General,
Program Delivery

Strategic Activity – Access to Capital

Objective

This priority is divided into two sub-sections, each with its own objective.

Support to Business: To grow the economy by encouraging private sector investment in projects that enhance the competitiveness of commercial enterprises and increase trade opportunities to produce long-term, sustainable jobs.

Support to Communities: To help communities plan and implement community development projects that have a direct link to long-term, self-sustaining economic activity.

Ken Montgomery
Director General,
Development

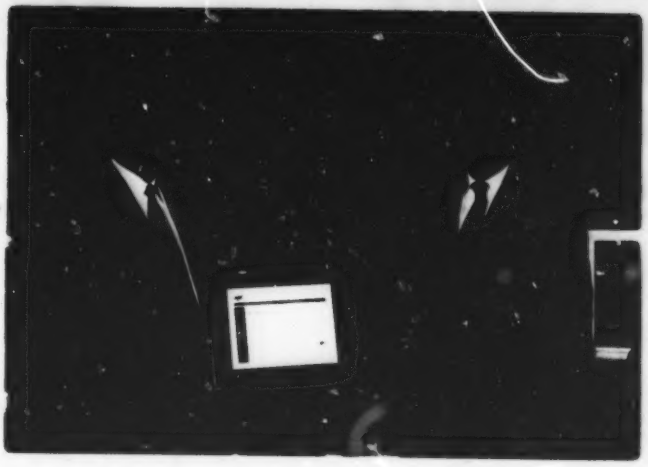
One of the major concerns for the private sector on Cape Breton Island is access to capital. The flexible powers of the Corporation allow it to use a number of instruments, many of which are unique, to assist businesses and organizations. Access to capital can take a number of forms including secured or unsecured, interest-free loans, equity or grants.

Since 1999, the Corporation has contributed to the creation of almost 1900 jobs. With regard to the five-year target established in 2000/2001, ECBC is ahead of schedule. To date, 471 jobs have been created against the target. During fiscal 2001/2002, ECBC fell short of its job creation target of 100 jobs, as a result of the refocusing of its efforts on non-commercial investment. Given its progress to date against the five-year target, and the downturn in the economy, ECBC felt that it was an acceptable risk to focus on non-commercial activities in 2001/2002. The focus was required in order to relieve pressures created by the expiration of the Canada/Nova Scotia COOPERATION Agreement on Economic Diversification which was a key funding mechanism for non-commercial projects. In addition, new programs designed to support non-commercial projects were not instituted until late in the fiscal year.

While commercial investment offers more immediate and measurable results in terms of direct job creation, non-commercial investment offers its own economic benefits through infrastructure development, which can help to foster an environment more conducive to private sector investment. This in turn, leads to job creation over the longer term.

In fiscal 2000/2001, ECBC set a five-year target of $20 million in leveraged investment as a result of its funding assistance. ECBC calculates leverage by subtracting the total amount of assistance from the total project cost. Leverage includes the applicant's equity, private investors/lenders and other sources of government financing. ECBC funding has been used by project applicants to lever additional funds. Over the past two years, ECBC has exceeded its five-year target by over 50%. If we look back over the last three years, the total is $183.5 million in leveraged funds. In light of this success, the Corporation is revisiting this target for the remaining three years.

New export sales was a target in 2001/2002. During the year, ECBC exceeded its annual target of $2 million, achieving $2.9 million in new export sales.



Left to right: Bernd Christmas, CEO, Membertou First Nation; Terry Paul, Chief, Membertou First Nation; Rick Beaton, COO, Enterprise Cape Breton Corporation. Membertou First Nation is the first indigenous government in Canada to achieve official ISO 9001 certification.

Measures	Targets Annual	Targets Five Year	Performance Against Targets '99/'00 (i)	'00/'01	'01/'02	Percentage of Five Year Target	
Number of jobs created (ii)	100	500	1380 (iii)	413	58	94%	■
Dollar value leveraged funds	$4 million	$20 million	$150 million	$25.6 million	$7.9 million	168%	■
Dollar value of new export sales (iv)	$2 million	$10 million	N/A	$55.7 million (v)	$2.9 million	29%	○

LEGEND

(i) Results from 1999/2000 are not part of the five-year targets which were first set as part of the new performance management framework.

(ii) Full-time equivalent jobs means permanent, direct, seasonal or part-time jobs converted to the equivalent of full-time jobs in accordance with conversion factors used by ACOA. One FTE equals 1600 hours of work per year or more, plus the seasonal and part-time jobs expected to exist for at least five years, which combine to account for at least 1600 hours of work per year.

(iii) This number includes the addition of two new call centres to the Island creating an estimated 1400 jobs.

(iv) New target set in 2001/2002 - numbers based on three year projections.

(v) A higher than average amount of new export sales in this fiscal year is predominantly a result of lifting a moratorium on funding for tourist accommodations (increasing the amount of non-resident tourism receipts) as well as two larger- than- average export-oriented projects (customer care and manufacturing).

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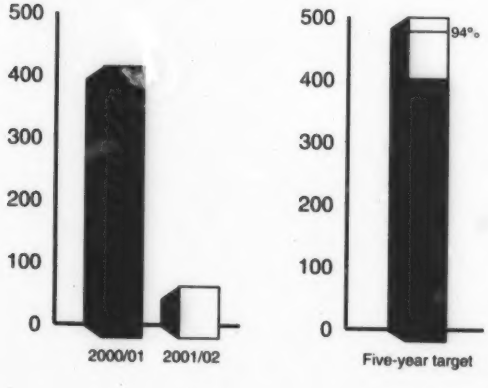
○ Not on target/experiencing some slippage
■ On schedule or exceeds target

Number of Jobs Created



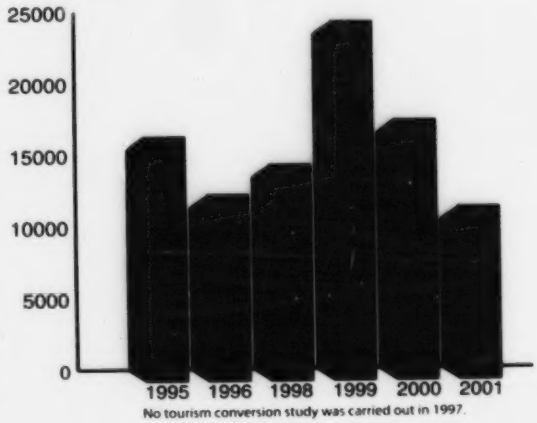
Strategic Activity – **Tourism Marketing**

Objective

To strengthen the viability of Cape Breton Island's tourism operators by increasing the number of tourists and, in turn, the amount of on-Island tourist expenditures.

As part of the tourism marketing activity, ECBC co-ordinated the marketing of Cape Breton Island as a vacation destination. ECBC's tourism marketing activities were primarily focused on key target markets and involved developing and implementing promotional campaigns designed to attract tourists from those markets.

Estimated Tourists as a Result of Advertising



No tourism conversion study was carried out in 1997.

As stated in the 2001/2002 Corporate Plan, ECBC's role in co-ordinating tourism marketing would be phased out as a strategic activity in fiscal 2002/2003. While the marketing of tourism is no longer a strategic activity, the tourism industry remains a priority sector. The Corporation will continue to support strategic tourism development and tourism operators through its other activities, and through other funding mechanisms including ACOA and the CBGF.

Overall, the U.S. and Canadian economies were in a downturn for most of 2001, and likely contributed to a decline in the number of tourists visiting the Island. While the decline is cause for some concern, it may reflect a return to historic rates as compared with above average performance of the sector in 1999/2000 and 2000/2001.

Tourism revenues in Nova Scotia declined by 2% in 2001 from the previous year. Overall, visitation was down by 6% compared with 2000. Visitation from most of the major markets decreased.

Overall for Nova Scotia, the number of visitors from other Canadian provinces fell by 6%, while American visitation was down 11%. Cape Breton, was impacted negatively with a 4% decline in the number of room-nights sold.

ECBC's tourism advertising and conversion research study, which examines the impact of its own marketing efforts as well as those carried out through co-operative advertising with the Province of Nova Scotia, reflects the overall decline. The study made the following observations:

- The number of parties who visited as a result of advertising dropped as compared with 2000, and is consistent with pre-1999 levels of visitation.
- The average length of stay decreased from 5.4 nights in 2000 to 3.7 nights in 2001.
- Average daily spending per party decreased to the levels experienced in the 1990s.

From left to right: Brett Hull, Mike Weir, Wayne Gretzky, and Joe Sackic. Wayne Gretzky & Friends Invitational Golf Event, Bell Bay Golf Club, Cape Breton, N.S.

"ECBC was pleased to have supported this event at Bell Bay's magnificent golf course. The success of the event will have an extremely positive impact on the Island's tourism industry well into the future."

Rick Beaton, ECBC, COO

During the year, ECBC was a major sponsor of the Wayne Gretzky & Friends Invitational Golf Event. The two-day event began on July 1, 2001, with Super Sunday, a family-oriented day featuring celebrities in an elimination shootout, a long-drive exhibition and an 18-hole Celebrity-Am Event. Tournament play was conducted over 18 holes on Monday July 2, between PGA Pro Mike Weir and hockey celebrities, Wayne Gretzky, Brett Hull and Joe Sackic.

An estimated 9000 visitors attended the event which was televised nationally on the Global Television Network. The media exposure for the event is valued at over $2.4 million. The event was rebroadcasted across the United States in May 2002.

ECBC's future investment in the tourism industry will be guided by a "tourism road map", which has been commissioned by the Cape Breton Growth Fund to develop a detailed strategy identifying key areas for investment. The "road map" will provide a vision that will contribute, in part, to increasing annual tourism receipts by up to $400 million in the year 2008. The "road map" is expected to be completed in 2002/2003. Its implementation will follow over the coming years. New targets for the tourism sector will be set as part of this exercise.

Measures	Targets Annual	Targets Five Year	Performance Against Targets '99/'00	'00/'01	'01/'02	
Number of inquiries	65,000	N/A	101,000	96,386	68,796	■
Number of visitors converted from inquiries	20,000	N/A	24,240	17,780	11,166	○
Dollar value of direct expenditures by visitors converted from inquiries	$20 million	N/A	$25 million	$22.7 million	$9.1 million	○

■ Stopped and/or has fallen short of target
○ Not on target/experiencing some slippage
■ On schedule or exceeds target

Activities & Accomplishments

Strategic Activity – **Trade**

Objective

To increase the number of new exporters and increase export sales in current and growing markets.

ECBC's focus on trade is aimed at enhancing the capabilities of businesses to establish export markets and expand trade activity. The long-term economic health of Cape Breton critically depends on the creation of wealth that comes from export sales. ECBC works closely with companies having export potential by offering export readiness training, market research and mentoring to prepare them for the international marketplace. For export-ready companies, ECBC also coordinates and provides assistance for trade missions and trade shows.

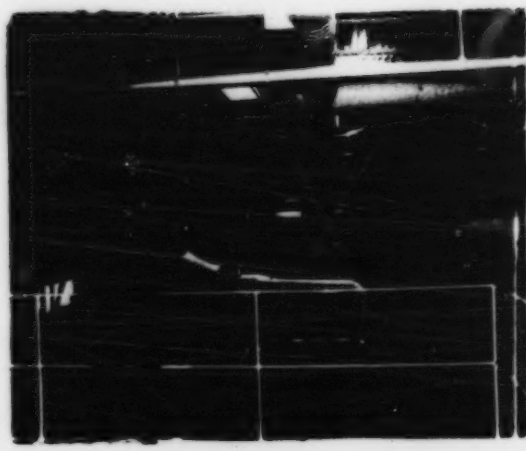
Opening Doors to International Markets

ECBC has led trade missions to Germany, Louisiana and Ireland with 16 Cape Breton companies and various community stakeholders participating. The economic sectors represented at the missions included: environment, information technology, building products, oil and gas, and consumer products. ECBC and a number of Cape Breton companies were also participants at international trade shows in Spain, Texas, Philadelphia, Chicago, Toronto and Boston representing various economic sectors, including oil and gas, crafts, building materials and value-added food products.

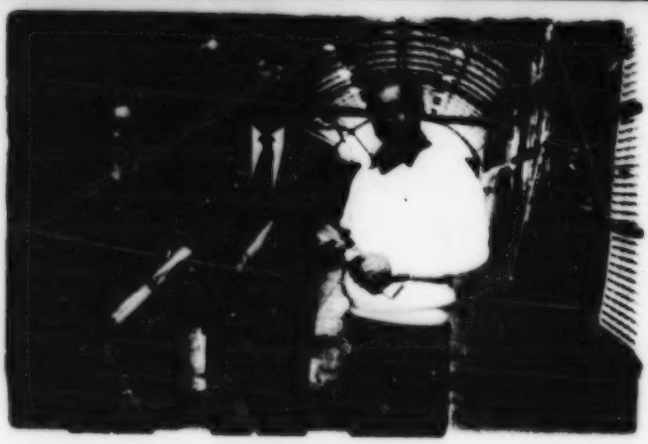
Preparing Companies for the Export Market

To improve the international business skills of Cape Breton companies which are exporting or planning to export, ECBC organized a number of trade training sessions during the fall and winter of 2001. These sessions focused on a number of trade-related topics including: going global, trade logistics, and financing and marketing. A total of six sessions attracted an estimated 50 participants.

ECBC also developed one-on-one trade counselling sessions with a trade consultant for export-ready companies. The consultant provided an export-readiness assessment (diagnostic) of each



Marc Leclerc, General Manager of Tesma PFC, a supp i of components to the automotive industry.

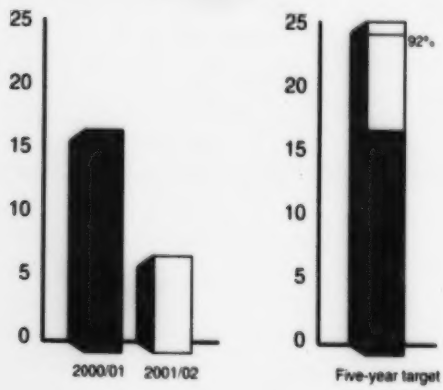


Left to right: Lori Marenick, ECBC; Rick Beaton, COO, ECBC; and Stephen Read, President, Forest Insight. ECBC congratulates Forest Insight Limited on the February 2002 signing of a $3.5 million contract to supply products to Germany. Forest Insight is Atlantic Canada's only prefinished hardwood flooring manufacturer.

Measures	Targets Annual	Targets Five Year	Performance Against Targets '99/'00	'00/'01	'01/'02	Percentage of Five Year Target	
Number of new exporters	5	25	–	16	7	92%	●
Number of exporters that increased export sales	10	50	–	10	4	28%	○
Dollar value of contracts	$2 million	$10 million	$330,000	$517,000	$4.7 million	52%	●

● Stopped and/or has fallen short of target
○ Not on target/experiencing some slippage
● On schedule or exceeds target

Number of New Exporters



company and a review of their financial situation. For some companies, research was conducted in strategic markets, while others received assistance with the development of a strategic international marketing plan, as well as trade mentoring. In total, 16 companies benefited from these one-on-one counselling sessions.

The Corporation is significantly ahead of its target in terms of increasing the number of new exporters and the dollar value of contracts. While the target for the number of exporters that increase export sales has fallen short this year, it is believed that the five-year target provides a better indication of the benefits of trade mentoring activities in this area. For the most part, results from a number of export development activities will be realized over the longer term, as it takes time to develop trading relationships. Exporters have to be identified and trained before they can realize new export sales. The economic environment during 2001/2002 posed a number of challenges for companies wishing to introduce their products into the export market. Recessionary conditions in the United States and a global economic slowdown hindered the development of new trading relationships and ultimately the sale of export products.

Activities & Accomplishments

Strategic Activity – **Image, Prospecting & Investment**

Objective

To attract new business investment to Cape Breton Island.

The enticement of new, export-oriented businesses to Cape Breton Island can bring much needed investment and skills. The Corporation provides support for investing and prospecting activities predominantly through co-ordination and the production of investment-related, promotional material.

It is important that accurate, factual information about the business climate and lifestyle on Cape Breton Island be available to ensure that decision makers, investors and individuals receive the best possible information about investment opportunities.

During the year, promotional material was developed by ECBC, which included a video, CD-ROM, and an updated investment booklet. In March 2002, ECBC provided funding to the Industrial Cape Breton Board of Trade to place a six-page, advertising supplement in *Maclean's* magazine. The supplement featured Cape Breton Island as a good place to invest and do business. The positive responses and feedback have been nothing short of outstanding. ECBC continues to respond, on an ongoing basis, to requests for information by companies interested in establishing business on Cape Breton Island.

Advertising Supplement

An Image of Cape Breton Island

"WE RISE AGAIN"

Maclean's, March 25, 2002

ECBC continually strives to attract new investment to the area. One of the Corporation's key targets for new investment is the United States. An economic downturn during 2001/2002 saw the contraction of a number of businesses, adding to the Corporation's challenge to find new business investment for the Island.

Although no new investment was realized in 2001/2002, a great deal of work is being carried out in the area. ECBC met with and provided information to a number of companies considering Cape Breton as a business location. During

In 1999, EDS Canada established a 900-seat customer care centre in Sydney, N.S. with assistance from ECBC. In 2001, EDS established a 400-seat centre in Port Hawkesbury, N.S.

"The Sydney centre has become a showcase for our EDS customer relationship management product offering...the local, hardworking, educated workforce is a key value differentiator to both our current and potential clients."

Jim Paris, EDS Site Manager

Measures	Targets Annual	Targets Five Year	Performance Against Targets '01/'02	
Dollar value of new investment on Cape Breton Island	$4 million	$20 million	Target not achieved Target readjusted to $2 million annually	
New target set in 2001/2002			$10 million over 5 years	

- Stopped and/or has fallen short of target
- Not on target/experiencing some slippage
- On schedule or exceeds target

the year, ECBC assisted its subsidiary, the Cape Breton Growth Fund Corporation, in attracting a new 900-seat customer care centre to the Island.

An initial target of $4 million in new investment annually was introduced in 2001/2002. This target has been adjusted downward for 2002/2003, given the increased level of activity in this area by the Cape Breton Growth Fund Corporation.

To help achieve its five-year target and to assist in meeting its annual target in this area, ECBC has appointed a Director General of Major Projects to deal directly with companies considering investing in Cape Breton, thus ensuring that investment information is tailored to their particular needs and interests.

Activities & Accomplishments

Strategic Activity – **Advocacy**

Wendell MacGillivery
Director, Advocacy

Objective

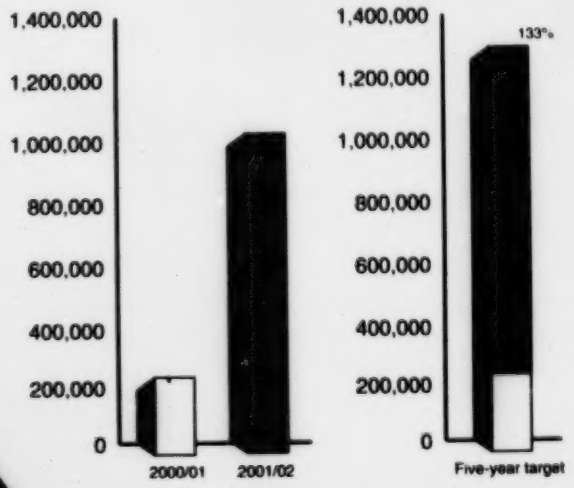
To advocate Cape Breton's interests, priorities and concerns in government decisions.

The establishment of an advocacy position is a relatively new approach for ECBC. The decision to locate the position in Halifax recognizes the fact that as a provincial and regional capital, Halifax is home to numerous government and non-government organizations which provide services and make decisions that affect Cape Breton Island.

The advocacy role is aimed at increasing Cape Breton Island's presence at inter-and intra-governmental meetings and is meant to advance the interests, priorities and concerns of Cape Breton Island in government project selection, decisions and actions.

The Advocacy office has taken a leadership role on a number of committees and working groups where it highlights Cape Breton perspectives, issues and opportunities. Increased presence at these tables has helped to ensure that Cape Breton interests are considered. This has been reflected in discussion papers and action plans as well as actual project approvals.

Dollar Value of Incremental Spending in Cape Breton



The Advocacy office has exceeded its targets in each of the last two years. This target will be reassessed in 2002/2003.

Measures	Targets Annual	Targets Five Year	Performance Against Targets '00/'01	'01/'02	Percentage of Five Year Target
Dollar value of incremental spending in Cape Breton	$200,000	$1 million	$250,000	$1.07 million	133%

Stopped and/or has fallen short of target
Not on target/experiencing some slippage
On schedule or exceeds target

The advocacy function also serves to encourage partnership and co-operation between and among federal and provincial government entities as well as the private sector.

The Advocacy office is involved in the following committees and working groups:

- Federal Council and Federal Council Sub-Committees
- Life Sciences Economy Initiative
- Federal Economic Development Coordinating Committees & Deputy Ministers
- The Aboriginal Economic Development Advisory Committee
- The Canada-Nova Scotia Economic Development Agreement Directorate (EDA)
- Sustainable Communities' Initiative
- Canada Rural Partnership
- Atlantic Investment Fund (Regional Coordinator)
- ACOA Quality Standards Working Group
- Labour Market Development Agreement
- Canadian Heritage – Economic Development Advisory Committee (Cultural Spaces Program)
- Pan Atlantic Procurement Team (member)
- Oil and Gas Labour Market Study (Steering Committee)
- Black Business Initiative – Working Group
- ACOA/INAC/ECBC Joint Management Meetings
- Arts and Culture Working Group (Funder's Lunch Group)
- Nova Scotia Managers Network
- ACOA/ECBC/HRDC Advisory Committee (Innovation Summit)

Activities & Accomplishments

Strategic Activity – **Policy and Research**

Objective

To help provide a sound basis for the Corporation's policy priorities and programs.

ECBC's policy and research activities are formulated on the basis of input from economic development stakeholders and on findings and knowledge from an accumulation of completed research and consultations. ECBC maintains a forward-looking research plan that encourages the participation of outside interests on working groups and reflects and supports:

- emerging local economic issues;
- structural challenges and opportunities;
- sector specific considerations;
- federal policies;
- ECBC's program and development initiatives; and
- the need for ongoing performance management and evaluation.

During 2001/2002, the ECBC Policy unit carried out eight research studies:

- Evaluation of the Memorandum of Understanding (MOU) between Enterprise Cape Breton Corporation and the University College of Cape Breton
- Golf Destination Strategy for Cape Breton Island
- Performance Management Framework for the Cape Breton Growth Fund Corporation
- Economic Impact Analysis of the Wayne Gretzky & Friends Invitational Golf Event
- Benchmark Sector Study (specific economic sectors, with potential for growth, identified and monitored on an annual basis)
- Economic Impact Analysis of the Baddeck International New Media Festival
- 2001 Tourism Advertising and Conversion Research Study
- Cape Breton County Skills Inventory Survey

Measures	Targets Annual	Targets Five Year	Performance Against Targets '01/'02	Percentage of Five Year Target	
Number of research projects (i)	8	40	8	20%	

LEGEND

(i) New Target set in 2001/2002

- Stopped and/or has fallen short of target
- Not on target/experiencing some slippage
- On schedule or exceeds target

The ECBC Policy unit also worked with Statistics Canada to maintain current economic data relevant to the Corporation's activities. In 2000/2001 ECBC updated two economic models developed for the Cape Breton economy: a macroeconomic forecasting model and an input-output impact model. Using these models, the Policy unit provides analysis and forecasting for project evaluations.

Each year the Policy unit leads the corporate planning process in the development of a five-year corporate and strategic plan. The Corporate Plan is the primary vehicle for ECBC to communicate with the Government of Canada about its proposed activities, performance targets and budgets over the next five years.

The Policy unit is responsible for ongoing monitoring of the performance management system to ensure consistency with the Corporate Plan and to ensure that the appropriate information is captured. As part of the performance monitoring function, the unit prepares quarterly reports for the Board of Directors and Senior Management. This report provides an account of how the organization is achieving the performance objectives outlined in the performance management framework.

Strategic Activity – Provision of Services for the Government of Canada

Objective

To deliver programs and services for the Government of Canada, including ACOA, in an effort to increase the opportunity for economic development on Cape Breton Island and, specifically, to enhance the growth of earned incomes and employment opportunities in the region.

Community Adjustment Fund (CAF)

On May 16, 2001, the Government of Canada announced that it had accepted the recommendation of the DEVCO Board of Directors to immediately begin an orderly closure of the Prince Mine. The recommendation followed unsuccessful attempts by DEVCO to conclude a sale of the mine.

In response to the closure of the Prince Mine, the Government of Canada committed an additional $28 million to bolster the Cape Breton Island economy. Of the $28 million in new funding, $18 million has been allocated to the CBGF and $10 million has been directed to ECBC to be invested in the most affected communities.

The CAF is targeted to those communities most negatively impacted by the closure of DEVCO. Funding is provided to initiatives designed to facilitate self-sufficiency in affected communities. By investing in community infrastructure, the Fund contributes to jobs and wealth retention, improved image and maintenance of a basic level of essential amenities. Through projects such as strategic plan development, downtown revitalization, museums, incubation centres, and other forms of community infrastructure, an environment conducive and supportive of initiatives with long-term, positive, economic impacts will be created.

While these projects will directly result in short-term employment, long-term jobs may be slower to materialize. However, sustainable communities with good infrastructure will be able to better achieve self-sufficiency with a reduced support requirement from government.

Funding for the CAF was received in the third quarter of 2001/2002. While no specific targets were set for the CAF at that time, targets have been established for 2002/2003 - 2004/2005. The targets include $8 million in leveraged funds and improved community infrastructure in three geographical areas.

Details on the CAF to date include:

Total Fund: $10 Million over four years (2001/2002-2004/2005)

Allocation for 2001/2002: $1 million

Assistance Committed to date: $1,443,396

Number of Projects: 13

Number of full-time equivalent jobs created: 10

Leveraged investment: $532,260

Types of Projects

Training

Entrepreneurial Training Program (New Waterford)

Infrastructure

New Community Centre (Bras d'Or)

Heritage Museum (Glace Bay)

Upgrade community infrastructure (Glace Bay)

Facility expansion for additional storage space in a community living facility for intellectually challenged individuals (North Sydney)

Upgrade local performing arts theatre facility (Glace Bay)

Strategic Planning

Development of business plan/design for a new community centre (New Waterford)

Complete strategy for community revitalization (Glace Bay)

Determine feasibility of final stage of infrastructure development (Sydney Mines Renewal)

Review potential of redeveloping the Lingan Mine site (New Waterford)

Develop a downtown revitalization strategy (New Waterford)

Activities & Accomplishments

Atlantic Canada Opportunities Agency (ACOA)

The programs and services delivered by ECBC on behalf of ACOA include:

Business Development Program (BDP): This program is designed to help small and medium-sized enterprises (SMEs) establish, expand and modernize by offering access to capital in the form of interest-free, unsecured loans or non-repayable contributions. The BDP also provides support to non-profit organizations which provide services to Atlantic Canada businesses.

Consultant Advisory Services (CAS): The CAS program provides business clients with access to consulting expertise to pursue business opportunities or solve problems.

COOPERATION: COOPERATION Agreements are federal-provincial, cost-shared initiatives designed to improve the environment for economic growth. The program focuses on strategic investments which benefit an industry, sector, community or province.

Canadian Fisheries Adjustment and Restructuring (CFAR): The CFAR program is a three-year program announced in 1998. It is designed to assist individuals and coastal communities adjust to the downsizing of the Atlantic ground fish-fishery.

Infrastructure Canada: This program (a six-year partnership agreement signed by the federal and provincial governments) is intended to accelerate economic recovery by creating short-and long-term employment through investment in local communities, while renewing and enhancing the physical infrastructure.

Community Futures Program: The Community Futures Program, supports autonomous, not-for-profit Community Business Development Corporations (CBDCs) in helping entrepreneurs in rural areas access the information, advice and capital required to succeed.

Atlantic Investment Partnership (AIP): The AIP is a $700 million initiative that makes investments in four major areas: Innovation, Community Economic Development, Trade and Investment, and Entrepreneurship and Skills Development.

Cape Breton Growth Fund (CBGF)

The CBGF was incorporated in August 2000. It has its own Board of Directors and is required to report separately to Parliament through its own Corporate Plan and annual report. In November 2000, ECBC entered into a Memorandum of Understanding with the CBGF to provide secretariat and operational support. As required, ECBC assigns staff to support the Board of Directors and the operations of the CBGF.

Performance Results

The performance results for both ACOA and the CBGF are reported separately to Parliament and are not included as part of ECBC's annual report.

ECBC Development Focus

While ECBC has identified specific strategic priorities upon which to concentrate its efforts over the next five years, it is also focused on developmental activities in specific economic sectors identified as having significant growth potential. Some of these sectors are at an early stage of development and require support and investment if they are to evolve to a level where they can generate sustainable economic growth.

ECBC's developmental activities are focused on five specific sectors as well as on Community Economic Development (CED). The five sectors are:

- Knowledge-based
- Oil and Gas
- Resource
- Environmental Remediation
- Tourism

The following section provides a qualitative account of ECBC's developmental activities in 2001/2002.

Knowledge-based Sector

Objective

To maximize the desired effect of increased start-ups and new entrepreneurs as a result of investments in incubation facilities and business mentoring capabilities. ECBC's activities towards this objective are as follows:

- Worked in co-operation with the Business Development Corporation to implement the E-Strategy program for companies on Cape Breton Island currently exporting or ready for export
- Served as a member of the Cape Breton Growth Fund's Knowledge-based Task Force to develop a strategy for projects in the knowledge-based sector
- Worked with representatives of the Cape Breton-Victoria Regional School Board and the Cape Breton and Victoria County CAP (Community Access Program) committees to explore the idea of an Information Technology Expo to increase student awareness in the knowledge-based sector
- Participated in discussions regarding the potential growth of the Technology Advisory Group (TAG), a local industry network for the knowledge-based sector on Cape Breton Island

Activities & Accomplishments

This year, ECBC's Most Innovative Application of Technology Award was presented to 4everSports, producer of golf-course software and wireless applications. Established in 1996, the Award is designed to encourage and salute entrepreneurs and businesses for their innovative use of technology. Past winners of this award include McKenzie College, Virtual Media Productions, and Rawdon Technologies, to name a few.

"The development of technology and knowledge-based enterprises is an important factor in the efforts to diversify Cape Breton Island's economy."

Rick Beaton, ECBC, COO

Objective

To facilitate continuous improvements in the support of infrastructure that enables and strengthens the level of product development and commercialization. ECBC's activities towards this objective are as follows:

- Membership in the Information Economy Initiative (IEI) as well as the Labour Market Development Agreement (LMDA) which provide an additional avenue for funding the growth of information technology infrastructure
- In co-operation with the Connectivity Alliance, meetings with representatives from Industry Canada to discuss possible projects for Cape Breton Island

Oil & Gas Sector

Objective

To promote Cape Breton Island in an effort to attract oil and gas industry proponents including producers, suppliers and fabricators. ECBC's activities towards this objective are as follows:

- Updated promotional material and distributed approximately 100 promotional information packages
- Led a delegation of private and public sector stakeholders to conferences and trade shows (Houston, Halifax)
- Organized and participated in a tour of supply bases in Fourchon, Louisiana, and made a targeted presentation to an offshore service provider in Houston
- Created an inventory of companies that expressed an interest in investing in Cape Breton Island and conducted familiarization tours for a number of companies

Objective

To work with the private sector and labour to help them become more active participants in the emerging oil and gas sector. ECBC's activities towards this objective are as follows:

- Disseminated information to key stakeholders
- Identified potential local suppliers
- Participated in a human resource skills inventory
- Conducted information sessions on industry procurement needs

Objective

To provide information about Cape Breton to firms interested in the development of Nova Scotia's offshore oil and gas reserves and the utilization of natural gas. ECBC's activities towards this objective are as follows:

- Participated in a number of networking functions and met with representatives of Hunt Oil Company and TotalfinaElf Canada concerning public information sessions in Cape Breton

Objective

To foster co-operation/collaboration amoung government, research institutions, educational institutions and the private sector. ECBC's activities towards this objective are as follows:

- Initiated discussions with the University College of Cape Breton and the Nova Scotia Community College concerning a co-ordinated approach to petroleum-related training
- Monitored the proceedings of the Public Review Commission on the effects of offshore oil and gas exploration on Cape Breton Island
- Met with representatives from the Nova Scotia Department of Economic Development and the Nova Scotia Department of Natural Resources regarding potential mineral development applicable to the petrochemical industry
- Participated in a number of sector-related working groups to share information, identify issues and formulate strategy
- Advocated for stronger representation of Cape Breton Island issues in various provincial and national industry organizations

Resource Industries

Objective

To foster co-operation/collaboration among government, the private sector and educational institutions.

ECBC continued ownership and operation of the Point Edward Resource Centre. The Centre brings together a number of stakeholders involved in the development of the resource sector in Cape Breton, including the local agricultural community, the Nova Scotia Department of Agriculture and Fisheries, and Horticulture Nova Scotia. ECBC is a major funding partner in the Resource-Based Extension Program co-ordinated by UCCB. Other partners include the Nova Scotia Department of Agriculture and Fisheries and the Nova Scotia Agricultural College. Mandated areas of work are: the provision of quality education and training; increasing industry awareness; and, assistance in the economic growth of resource-based industries. An industry advisory council, comprised of members from both the public and private resource sectors, assists in the planning and direction of the program.

In December 2001, ECBC met with community stakeholders to discuss how to maximize the economic and community benefits of the Point Edward Resource Centre facility. A number of options were put forward including leasing agricultural land, liquidating forest resources, leasing building/rental space and selling off farming equipment. In March 2002, ECBC made a public call for lease options regarding the land, the demonstration building and the greenhouse facilities at the Point Edward Resource Centre. Proposals will be evaluated with a view to identifying a new strategy for the facility in 2002/2003.

Environmental Remediation Sector

Objective

To work with the private and public sectors, labour and educational institutions to help them become more active participants in current and future environmental remediation activities on Cape Breton Island.

To help identify and support efforts that develop environmental remediation businesses and expertise locally. ECBC sponsored a trade mission to Germany which examined best practices in the environmental remediation sector. The trade mission had two distinct components: community economic development (CED) and business opportunities.

The CED component involved:

- Inviting local community leaders to study the processes used to facilitate clean-up
- Examining how former mining communities adjusted to the economic transition resulting from the end of coal mining
- Examining how displaced workers were employed in the clean-up process
- Researching opportunities for economic development and innovative land use

Business opportunities involved:

- Four Cape Breton companies involved in the environmental sector also participated in the mission. Their primary interests were to research technology transfer opportunities with regard to clean-up projects, to examine innovative land use opportunities, and to explore opportunities for joint ventures. Many Cape Breton firms and community organizations explored partnership arrangements with a number of German firms and organizations. The Industrial Cape Breton Board of Trade signed a letter of intent with Lausitzer Umwelt Gmph (LUG), a German remediation company, to facilitate further dialogue between Cape Breton firms, LUG and its affiliate groups.

Activities & Accomplishments

Tourism Sector

Objective

To work with private operators and industry to encourage more private sector involvement and investment in Cape Breton's tourism marketing activities.

ECBC provided assistance to Tourism Cape Breton to offset the costs associated with both operational activities for the current fiscal year and marketing efforts for the cruise division, meetings, conventions and incentive-travel and sport tourism.

Objective

To encourage private sector investment in all aspects of tourism infrastructure including golf course development.

ECBC provided financial assistance for La Pirogue, Les Trois Pignons, Marina St. Peter's, and the Inverness County Council of the Arts (ICCA). The ICCA will seek the support of the private sector in terms of fundraising efforts which will be instrumental in the ongoing sustainability of the centre.

The Corporation was also involved in the development of a marina study spearheaded by the Development Isle Madame Association. This study will provide an indication of the public and private sector investment necessary to develop various Island marinas, into viable tourism infrastructure.

Objective

To promote the packaging of like or complementary tourism products on Cape Breton Island for destination and joint marketing.

ECBC met with representatives of Northumberland Ferries Limited and Pictou County regarding potential marketing partnerships between Cape Breton Island and the Northumberland Strait region.

The Corporation met with representatives of Tourism Cape Breton's marketing council to discuss the importance of a unified marketing strategy for Cape Breton as a whole. The development of this strategy is ongoing.

Community Economic Development

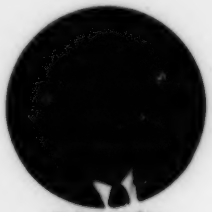
Objective

To help communities plan and implement their visions to create long-term, self-sustaining economic activity and to support communities by helping them get the full benefit from economic development opportunities. ECBC's activities towards this objective are as follows:

- Held meetings with representatives of various local economic development groups to discuss planning activities for their communities
- Participated in community planning for downtown revitalization
- Developed a policy with the criteria for funding festivals and events
- Explored, through the establishment of a committee with the two Regional Development Authorities, the possibilities of hosting a CED conference in 2002
- Held workshops to assist communities with the preparation of business plans

Left to right: Helen Gromick, Senior Trade & Investment Officer; Joe Cashin, Senior Commercial Account Officer; and Denise Sampson, Manager, Community Economic Development. ECBC staff delivered business plan workshops for non-commercial projects.

Communications

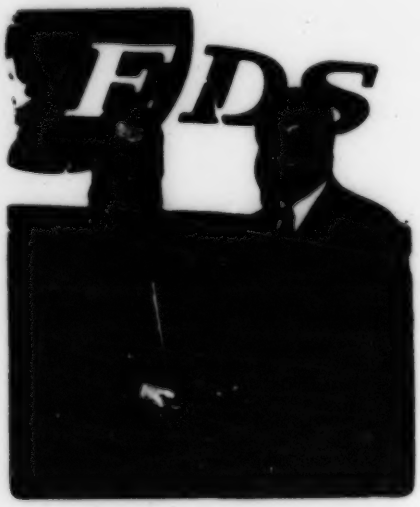


D.A. Landry
Director of
Communications

In terms of communicating with the public, ECBC has been very active. Due to the Corporation's small geographic mandate area, and the importance of economic development to local residents, ECBC receives a high level of media attention. Officials are often asked to comment on economic issues, not directly related to ECBC activities. The Corporation is mentioned on an almost daily basis in the media, in particular, in newspapers. The majority of this coverage is positive or neutral. Consequently, the Government of Canada receives a high level of visibility through the programs and services offered by the Corporation.

In 2001/2002, ECBC issued or partnered in the issuing of 37 news releases. Corporation representatives participated in a total of 26 speaking engagements and presentations. Over 30 special events were co-ordinated. The Corporation also participated in limited advertising activities, primarily in local and regional publications. In 2001/2002, a total of 61 ads and public notices were co-ordinated. As demonstrated by these activities, ECBC is visible and responsive to the community it serves.

Left to right: Richard Hilz, EDS Operations Manager, Sydney, N.S., and Minister of State, Gerry Byrne. Minister Byrne congratulates EDS representatives on exceeding staffing expectations at Sydney Customer Interaction Centre within the first two years of operation.



Government On-Line

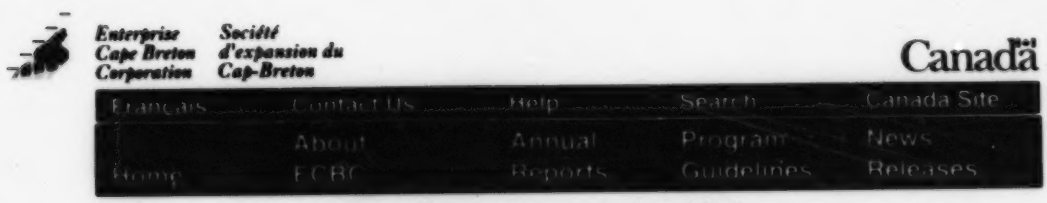
The Corporation is participating in the federal Government On-Line (GOL) initiative and has an active GOL working group consisting of internal representatives from all units of the Corporation. The working group has developed project plans for on-line client services including applications for assistance, issuing of contracts and submitting project claims.

The working group has representation on the Industry Canada Regional Development Agency (RDA) Government On-Line Committee. The RDA/GOL Committee is working to develop a standard, on-line application to provide on-line client services.

The ECBC web site was redesigned to comply with the Government of Canada's "common look and feel" requirements. On-line information and services were updated to complete requirements for Tier I as defined by the Treasury Board Framework for Government On-Line. In addition, the systems infrastructure has been upgraded to increase bandwidth, security and reliability.

A new corporate system, which will integrate well with future on-line client access, is in development and will be implemented in phases beginning in fiscal year 2002/2003. A pilot of the common RDA application is scheduled for testing in late fiscal year 2002/2003. Refinement and implementation will take place in order to meet the Government of Canada's target of December 31, 2005 for providing client services on-line.

Through partnership with the RDA group and ACOA, the Corporation will keep GOL costs at a level that can be met through normal operational and capital budgets.



www.ecbc.ca (Common look and feel)

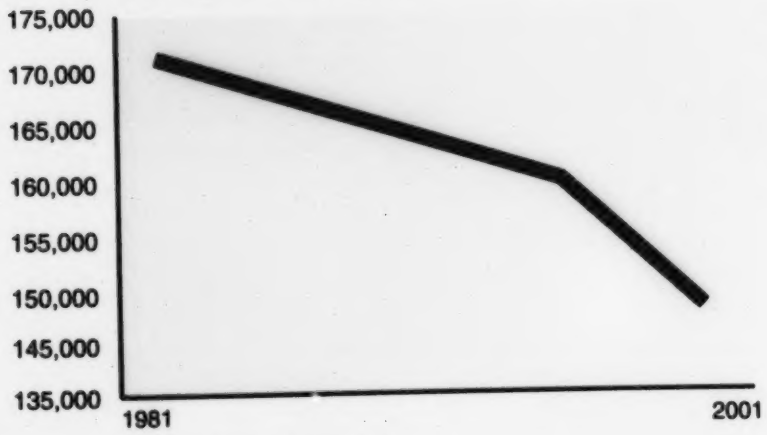
The Economic Context

Faced with an economic slowdown in the United States and abroad, almost all regions in Canada experienced decreased economic growth in 2001, resulting in a sharply decelerated Canadian economy, particularly pronounced in Ontario and Quebec. Canada felt the effects of the weaker U.S. economy mainly through a significant decline in exports. In Atlantic Canada, economic growth slowed in line with weaker economic conditions experienced elsewhere, leading to dampened business investment and a lower level of exports. Weak demand in the U.S. led to lower exports of many Atlantic Canadian resource-based products including pulp, iron ore, lumber and processed fish products.

While the global economy saw a significant decline in the pace of economic activity during 2001, Canada did not experience the depths of the economic malaise felt by the U.S. In March of 2002, the Governor of the Bank of Canada affirmed that the worst of the downturn was over for Canada and that a recovery was underway.

Against the backdrop of a worldwide economic downturn in 2001, the Cape Breton economy continued to face fundamental structural adjustments due to the closure of the Cape Breton Development Corporation's last mine on the Island and the dismantling of the Sydney Steel Corporation. The loss of these industries will have a tremendous impact on the economy of the Island for many years to come.

Cape Breton Island
Population 1981-2001



Statistics Canada Census Data

Labour Force	Cape Breton*		Nova Scotia		Canada	
	Mar/02	Mar/01	Mar/02	Mar/01	Mar/02	Mar/01
Participation Rate	50.4%	52.5%	62.4%	62.3%	66.6%	66.1%
Unemployment Rate	16.2%	19.5%	9.7%	10.2%	7.7%	7.0%
Employment Rate	42.2%	42.2%	56.3%	55.9%	61.4%	61.5%

*Labour force data reported by economic region is not seasonally adjusted. Statistics Canada Labour Force Survey

During the year, the unemployment rate for Cape Breton dropped relative to the same period last year. Employment levels are above those from the fourth quarters of the last three years. On an annual basis employment levels are the best they have been in 13 years. In fact, employment levels are comparable to the mid 1970s, which is well before the downturn in the fisheries, coal and steel industries.

Out-migration continues to be a challenge for Cape Breton Island. Recent census data indicate a seven percent decline in the Island's population over the last five years. A major concern for Cape Breton Island is that it is losing its 25-39 year old population. A declining population in this age group has significant implications for the economy. At this age, people are starting families and setting up households and are, therefore, spending money in the local economy. Gaps in this age group also correspond to a lower proportion of the population under five years of age and a corresponding decline in school enrolment.

The long-term economic health of Cape Breton Island depends on the creation of wealth through export sales or through the production of goods and services for the local population that would otherwise be imported. For a number of years, only a small percentage of Cape Breton Island companies have been exporting products other than traditional resource products. While the economic environment during 2001 was not conducive to forging new trading relationships, over the past number of years there has been a noticeable increase in exports to the United States, particularly in paper products, auto parts, and food products.

New product exports include the sale of wood flooring to Germany and the United Kingdom as well as housing packages to Spain, Germany and Iceland. Over the past two years, several customer care centres have created a significant amount of export revenue as well as jobs. Other areas experiencing growth include steel fabrication, construction, plastics, windows, IT, arts and culture, and crafts.

ECBC's role is to facilitate the economic restructuring of the community, a restructuring that will result in sustainable long-term jobs in a diversified economy. The fact remains that, despite its persistent difficulties, the Cape Breton economy is making progress. It is evolving from a goods-producing economy to one based on services.

The Economic Context

This change is due in large measure to the support that the Government of Canada has provided for regional economic development . Over the past three years, ECBC has contributed to projects that have created more than 1900 jobs in areas outside of coal and steel.

Federal economic development initiatives like ECBC are strategically focusing investment in those areas that have the greatest potential for success. It is essential that the focus be on those areas that have a natural or competitive reason for being on the Island and on areas that can grow as part of the new global economy. Those natural or competitive reasons fall into a number of specific categories all related to the physical nature of the Island, and its offshore, or to the talent of those who live here. ECBC is also focusing its efforts on the attraction of new investments and increasing local capacity to sell products and services internationally.

It is more than coincidence that the unemployment rate has been dropping during a period when ECBC has contributed to projects resulting in over 1900 new jobs. While direct attribution is difficult given the complexities of the economy, ECBC is contributing positively to the economic health of Cape Breton.

The challenge and ultimate goal for ECBC is to create a legacy of sustainable employment at a globally competitive level, enabling the Cape Breton Island community to once again become a net contributor to the Canadian economy.

Management Discussion & Analysis

Francis Mullins
Director General,
Corporate Services and Treasurer

Lori Marenick
Director, Internal Audit

Operating Environment

ECBC's economic development mandate applies specifically to Cape Breton Island and a small area of mainland Nova Scotia in and around the Town of Mulgrave. The area is undergoing significant structural change due to the decline of a number of traditional industries that have been the economic mainstay of this region for generations. These changes take place within the broader context of national and international structural changes brought about by increased globalization and a need to improve competitiveness and productivity.

Given these economic challenges and the increased complexity of projects supported by the Corporation in recent years, ECBC expects that there will be increased demand for its programs and services over the next several years. The Crown corporation model and ECBC's ability to act as a program delivery agent for the Government of Canada will continue to allow the Corporation to bring various resources to bare on the economic challenges facing Cape Breton Island.

Preliminary economic indicators demonstrate that despite the recent closure of DEVCO and SYSCO, progress is being made in job creation and the participation rate. With strategic investment from ECBC, other levels of government and the private sector, this trend is expected to continue.

Financial Performance

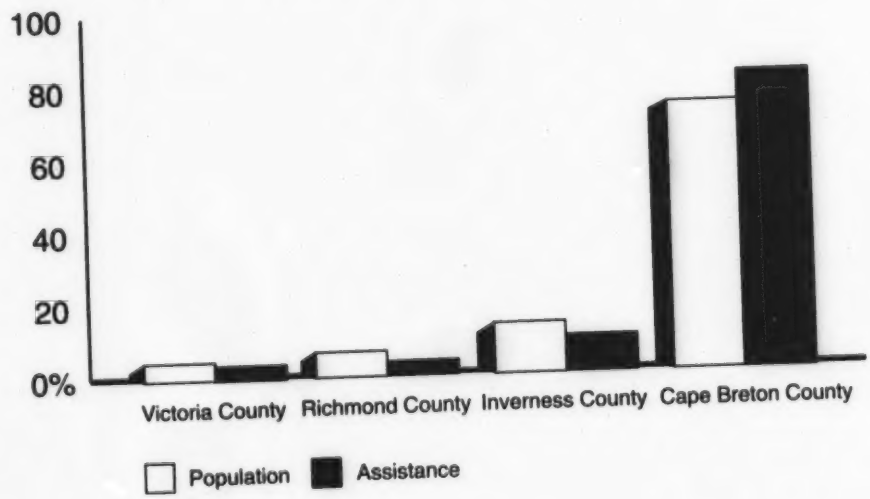
Demand continues to be high for ECBC programs and those delivered by the Corporation on behalf of the Government of Canada. In 2001/2002, using ECBC and ACOA programs, a total of 157 contracts were approved representing more than $17.5 million in assistance. ECBC projects alone accounted for $6.9 million (58 projects).

With regard to ECBC's loan portfolio, accounts are being actively managed. There has been an increase in revenues and a decrease in receivables. At March 31, 2002, collections on the ECBC portfolio for the 2001/2002 fiscal year totalled $585,064 (2001-$351,829), of which $256,000 represents settlement of an outstanding account. Also, the Corporation received an exemption from the Drawdown Policy for Crown Corporation Funding and will carry forward up to $1.3 million from fiscal year 2001/2002 to fiscal year 2002/2003.

At March 31, 2002, the percentage of the ACOA receivables portfolio administered by ECBC, deemed to be in arrears, was 2% (2001-7%). The dollar value of arrears as of March 31, 2002 was $7,300, (2001-$36,000). Collections on the ACOA portfolio for the 2001/2002 fiscal year totalled $2,049,000 (2001-$1,789,000).

ECBC also maintains an equity portfolio valued at $1 million in 2001/2002. One year earlier, the total value of the equity portfolio was $1,100,000. During the year, the Corporation divested its interest in the General Mining building. Two new investments of $100,000 each (Lynnwood Inn and Jackmen Development Ltd) were added to the portfolio in 2001/2002. Revenue earned during the year from equity investments was $124,381 and represents the Corporation's share in the net profits. This amount is less than the $147,814 in revenue collected in 2000/2001, however, that amount included $50,000 as a result of the redemption of an initial investment in Lynnwood Inn.

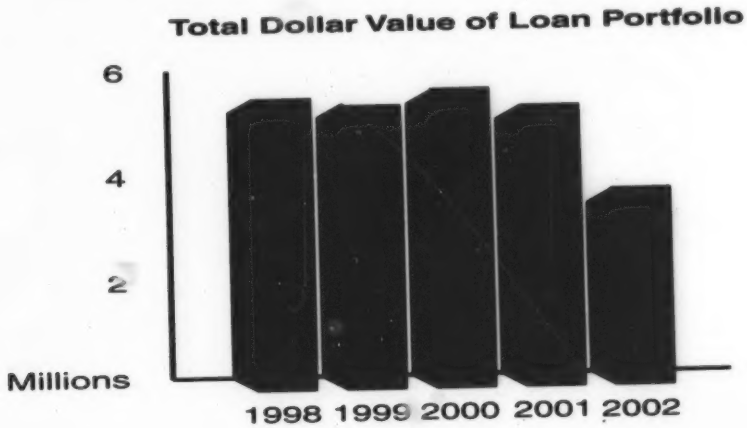
ECBC Assistance by Population and County

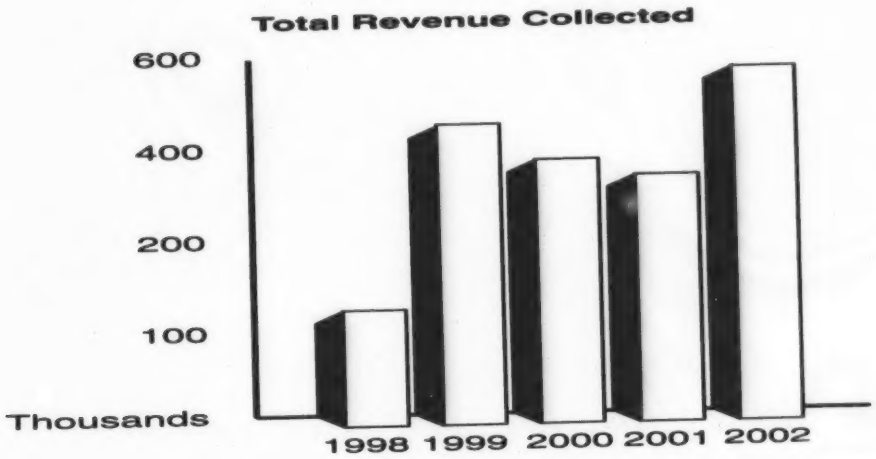


Fiscal responsibility

Fiscal responsibility continues to be a guiding principle for ECBC and efforts are ongoing to control rising costs while ensuring a high level of service to clients. As the Corporation is a delivery agent for a number of Government of Canada programs, it is able to make use of its existing administrative infrastructure to achieve economies of scale. This, in turn, allows the Corporation to make more of its revenue available for program delivery.

ECBC has met the challenge of increasing the level of business expertise it offers its clients through training and new staff hires. At the same time, it has realigned operational costs which have been reallocated to project funding for ECBC.





Financial Statements

Management's Responsibility For Financial Reporting

The accompanying financial statements of Enterprise Cape Breton Corporation and all information in this annual report have been prepared by the Corporation's management. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, using management's best estimates and judgements, where appropriate. Where there is more than one acceptable accounting alternative, management has chosen the one that is most appropriate to the circumstances of the Corporation.

Management is responsible for the integrity and objectivity of the information in the financial statements and annual report. Financial information presented elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized and comply with relevant authorities, assets are safeguarded, and proper records are maintained to produce timely, reliable financial statements. In addition, the Audit Committee of the Board of Directors oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting.

The Audit Committee of the Board of Directors has periodic meetings with management and the independent auditors to discuss the financial reporting process as well as accounting and reporting issues. The financial statements are reviewed and approved by the Board of Directors upon the recommendation of the Audit Committee.

The Auditor General of Canada conducts an independent audit of the financial statements of the Corporation in order to express her opinion thereon.

Rick Beaton

Rick Beaton
Vice-President and Chief Operating Officer

May 17, 2002

Francis Mullins

Francis Mullins
Director General, Corporate Services

Auditor's Report

To the Minister for the purposes of the *Atlantic Canada Opportunities Agency Act*

I have audited the balance sheet of Enterprise Cape Breton Corporation as at March 31, 2002 and the statements of operations and equity and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Enterprise Cape Breton Corporation Act* and the by-laws of the Corporation.

John Wiersema, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 17, 2002

Financial Statements

Balance Sheet

as at March 31, 2002

	2002	2001
ASSETS		
Current assets		
Cash	$5,209,181	$ 6,893,376
Accounts receivable, net (Note 4)	5,672,475	3,093,993
Prepaid expenses	54,257	57,016
	10,935,913	10,044,385
Loans, net (Note 5)	2,465,004	2,270,664
Investments, net (Note 6)	300,000	400,000
Investment in subsidiary (Note 7)	1	1
Capital assets, net (Note 8)	627,647	390,349
	$14,328,565	$13,105,399
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	$9,068,953	$ 8,813,081
Provision for employee severance benefits	405,261	374,644
	9,474,214	9,187,725
EQUITY		
Equity of Canada	4,854,351	3,917,674
	$14,328,565	$13,105,399

Commitments (Note 11)

See accompanying notes to the financial statements

Approved by the Board of Directors:

Director

Director

Statement of Operations and Equity

for the year ended March 31, 2002

	2002	2001
Program expenses		
Development expenses (Note 10)	$ 10,100,929	$16,257,345
Contribution to the Cape Breton Growth Fund Corporation (Note 7)	25,000,000	15,000,000
Other program expenses (Note 10)	1,324,850	1,772,564
Provision for loan impairment (Note 5)	33,041	23,157
	36,458,820	33,053,066
Other expenses		
Administrative expenses	1,267,019	1,302,064
Amortization	122,684	114,084
	1,389,703	1,416,148
Total expenses	37,848,523	34,469,214
Revenue		
Rental facilities	64,624	72,303
Interest, investments and other	402,105	438,676
	466,729	510,979
Activities on behalf of the Atlantic Canada Opportunities Agency (Note 12)		
Program expenses	15,732,920	14,087,942
Salaries, professional and other	2,081,027	1,755,754
	17,813,947	15,843,696
Less: Costs recovered from ACOA	(17,813,947)	(15,843,696)
Net cost of operations before Harmonized Sales Tax Rebate and parliamentary appropriation	37,381,794	33,958,235
Harmonized Sales Tax Rebate (Note 3)	710,471	-
Net cost of operations before parliamentary appropriation	36,671,323	33,958,235
Parliamentary appropriation	37,608,000	33,614,000
Net income (loss)	936,677	(344,235)
Equity, beginning of the year	3,917,674	4,261,909
Equity, end of the year	$ 4,854,351	$ 3,917,674

See accompanying notes to the financial statements

Financial Statements

Statement of Cash Flows

for the year ended March 31, 2002

	2002	2001
Cash flows from (used for) operating activities		
Parliamentary appropriation received	$ 35,806,000	$ 34,723,720
Cash received from ACOA	17,018,904	17,429,360
Cash received from Harmonized Sales Tax Rebate	710,471	-
Cash received from the Cape Breton Growth Fund for services performed	710,011	119,777
Cash received from investments and bank account	425,979	407,817
Cash received from rental activities and other parties	122,608	93,728
Payments made for program and administrative expenditures	(36,463,897)	(32,118,127)
Payments made on behalf of ACOA	(18,436,935)	(13,456,309)
Payments made on behalf of the Cape Breton Growth Fund	(758,097)	(280,022)
Payments made for severance benefits	(38,244)	(230,000)
	(903,200)	6,689,944
Cash flows from (used for) investing activities		
Loan repayments	585,064	351,829
Loan disbursements	(806,077)	(229,668)
Purchase of capital assets	(359,982)	(223,761)
Purchase of share for investment in subsidiary	-	(1)
Purchase of investment	(200,000)	-
	(780,995)	(101,601)
Net (decrease) increase in cash	(1,684,195)	6,588,343
Cash, beginning of the year	6,893,376	305,033
Cash, end of the year	$ 5,209,181	$ 6,893,376

See accompanying notes to the financial statements

Notes to the Financial Statements

March 31, 2002

1. The Corporation

Authority and objectives

Enterprise Cape Breton Corporation was established pursuant to the *Enterprise Cape Breton Corporation Act* (Part II of the *Government Organization Act*, Atlantic Canada, 1987) which was proclaimed on December 1, 1988. The Corporation is an agent Crown corporation listed in Schedule III, Part I of the *Financial Administration Act* and is not subject to the provisions of the *Income Tax Act*. Its objects, as stated in its enabling legislation, are:

> to promote and assist either alone or in conjunction with any person or the Government of Canada or of Nova Scotia or any agency of either of those governments, the financing and development of industry on the Island of Cape Breton to provide employment outside the coal producing industry and to broaden the base of the economy of the Island.

The Corporation has entered into a memorandum of understanding with the Atlantic Canada Opportunities Agency establishing the arrangements for the Corporation to deliver the Agency's programs on the Island of Cape Breton.

On August 25, 2000, the Cape Breton Growth Fund Corporation (Growth Fund) was incorporated under the *Canada Business Corporations Act* as a wholly owned subsidiary of Enterprise Cape Breton Corporation. The Growth Fund was created to administer federal and provincial funding designed to assist in the adjustment of the local economy as a result of the Government of Canada's decision to close or privatize its coal mines in Cape Breton. The Governor in Council has directed the Growth Fund to act as a parent Crown corporation for the purposes of Part X of the *Financial Administration Act*. The Growth Fund has the same mandate as the Corporation.

2. Significant accounting policies

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

a) Parliamentary appropriations

Parliamentary appropriations are recorded as funding in the statement of operations and equity in the year approved. The drawdowns against these appropriations are based upon cash requirements.

b) Measurement uncertainty

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues, expenses and the disclosure of commitments at the date of the financial statements. Despite the use of the Corporation's best estimates, it is reasonably possible that the estimates for loans and investments could change materially in the near term.

c) Loans

Loans, including repayable contributions, are recorded at the lower of cost and estimated net realizable value. Loans initially granted at a zero interest rate are recorded at the nominal amount of the loan.

Certain loans are subject to terms of forgiveness or are conditionally repayable as stipulated in the loan contract. The amount of forgiveness and all amounts conditionally repayable are charged to operations when the loan is issued or restructured. If terms and conditions are not fulfilled, the forgiveness or conditional repayable amounts are reversed and the balance becomes due and payable.

Loans are written off after all reasonable restructuring or collection activities have taken place and the possibility of further recovery is unlikely.

d) Allowance for loan impairment

Loans are classified as impaired when, in the opinion of management, there is reasonable doubt as to the timely collection of the full amount of principal and where applicable, interest. A specific allowance is established to reduce the recorded value of the loan to its estimated net realizable value if there is doubt as to the timely collection on a particular loan. Impaired loans are measured according to their estimated realizable amounts by discounting expected future cash flows at the effective interest rate inherent in the loans. For loans granted with a zero interest rate, impairment is calculated based on the expected future cash flows using the zero percent rate associated with the loan. This reflects a zero cost of capital for these loans because they are funded by appropriations provided by the Government of Canada. When future cash flows cannot be estimated with reasonable reliability, the estimated realizable amounts are measured at the fair value of any security underlying the loans, net of any expected costs of realization.

Initial and subsequent changes in the amount of impairment are recorded as a charge or credit to the allowance for loan impairment.

e) Interest income

Interest income is recorded on the accrual basis. When a loan becomes impaired, interest income ceases to be recognized. Recognition of interest income recommences when the specific allowance for loan impairment is reversed.

f) Investments

The Corporation has invested in preferred equity holdings and partnerships. These are shown at the lower of cost and estimated net realizable value. Estimated net realizable value is measured by discounting expected future cash flows. Investment income is recorded on an accrual basis. The Corporation records an allowance for doubtful investments for the amount by which the value of the investment has been impaired.

g) Investment in subsidiary

The Corporation accounts for its investment in the Cape Breton Growth Fund Corporation on a cost basis because the Governor in Council has instructed the Growth Fund to act as a parent Crown corporation for the purposes of Part X of the *Financial Administration Act*. Therefore, the Corporation does not control or have significant influence over the Growth Fund. The Governor in Council has directed that after the Growth Fund's funding is fully committed, the remaining assets and liabilities are to be transferred to the Corporation and the Growth Fund will be dissolved.

h) Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided over the estimated useful lives of the capital assets using the straight-line method at the rates indicated below:

Buildings	up to 20 years
Equipment and furniture	4 to 10 years
Computer equipment and software	5 years
Leasehold improvements	up to 20 years
Vehicles	5 years

i) Pension plan

All eligible employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The Corporation's contribution to the plan reflects the full cost of the employer contributions. This amount is currently based on a multiple of the employee's required contritubtions, and may change from time to time depending on the experience of the Plan. These contributions represent the total pension obligations of the Corporation and are charged to operations on a current basis. The Corporation is not currently required to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

j) Severance benefits

Upon termination of employment, employees are entitled to certain benefits provided for under their conditions of employment. The cost of these benefits is expensed in the year in which they are earned. There are no other significant post employment benefits.

The liability for severance benefits is estimated using discounted cash flows, based on current entitlements.

3. Harmonized Sales Tax Rebate

During the year the Corporation applied for and received a 50% rebate on the Harmonized Sales Tax (HST) for which it has not received an input tax credit. The amount reported separately in the current year represents a recovery for the fiscal years ended 1998 through 2001. The current year HST rebates are recognized as reductions in the related operating and development expenses.

4. Accounts receivable

Accounts receivable, net, consist of:

	2002	2001
Due from the Atlantic Canada Opportunities Agency (Note 12)	$ 3,405,784	$ 2,638,559
Other receivables	458,691	449,434
Parliamentary appropriation	1,808,000	6,000
	$ 5,672,475	$ 3,093,993

The amount from the Atlantic Canada Opportunities Agency relates to expenditures made on behalf of the Agency pursuant to a memorandum of understanding. Included in other receivables is an amount of $213,167 currently due from the Growth Fund for services performed on its behalf. Other receivables are incurred in the normal course of business with no significant concentration of debtors.

Accounts receivable are due on demand, are non-interest bearing and the carrying amounts approximate fair values because of their short term to maturity.

During the year, Treasury Board granted the Corporation an exemption from the Drawdown Policy for Crown corporation funding to permit the Corporation to carry excess cash of up to $1.3 million from 2001-2002 to the next fiscal year.

5. Loans

At March 31, 2002 the Corporation had a portfolio of 44 loan accounts (2001 - 69) including repayable contributions. These loans are issued in order to promote economic development to support the corporate mandate. The balance consists of:

	2002			2001
	Amount Due	Allowance	Carrying Value	Carrying Value
Loans	$ 1,935,252	$ (449,713)	$ 1,485,539	$ 1,205,947
Repayable contributions	1,846,694	(867,229)	979,465	1,058,161
Interest receivable	-	-	-	6,556
	$ 3,781,946	$ (1,316,942)	$ 2,465,004	$ 2,270,664

The Corporation has 6 debtors (2001 - 6) representing 72 percent of the amount due (2001 - 69 percent).

The Corporation made significant assumptions in determining the allowance for loan impairment, including: collection amounts, timing of collection, economic conditions and interest rate factors. If the key assumptions used by management vary, then the estimate could be significantly different. The allowance for loan impairment consists of:

	2002				2001
	Beginning Balance	Write-offs	Provision	Ending Balance	Balance
Specific	$ 2,347,323	$ (1,063,422)	$ 33,041	$ 1,316,942	$ 2,347,323

The fair value of loans is determined using expected future cash flows discounted at the Consolidated Revenue Fund lending rate to Crown corporations. The fair value of loans approximates $2.0 million (2001 - $1.8 million). The difference between the fair value and the carrying value results from 70 percent (2001 - 78 percent) of the loan portfolio having a zero interest rate.

The total portfolio consists of:

Annual Interest Rate	2002 Amount Due	2002 Allowance	2002 Carrying Value	2001 Carrying Value
0%	$ 3,310,854	$ (1,316,942)	$ 1,993,912	$ 1,486,144
Less than 10%	106,092	-	106,092	361,651
10% and over	365,000	-	365,000	416,313
	3,781,946	(1,316,942)	2,465,004	2,264,108
Interest receivable	-	-	-	6,556
	$ 3,781,946	$ (1,316,942)	$ 2,465,004	$ 2,270,664

Included in the above balance are non-interest bearing repayable contributions of $979,465 (2001 - $1,058,161) net of the allowance for impairment.

Repayment dates of the loans are as follows:

Date Due	2002 Amount Due	2002 Allowance	2002 Carrying Value	2001 Carrying Value
Past Due	$ 282,340	$ (116,611)	$ 165,729	$ 8,647
2002	-	-	-	429,406
2003	665,031	(30,354)	634,677	322,368
2004	492,364	(128,666)	363,698	309,168
2005	471,391	(118,272)	353,119	283,165
2006	408,853	(116,644)	292,209	271,400
2007 & beyond	1,461,967	(806,395)	655,572	639,954
	3,781,946	(1,316,942)	2,465,004	2,264,108
Interest receivable	-	-	-	6,556
	$ 3,781,946	$ (1,316,942)	$ 2,465,004	$ 2,270,664

Forgivable loans totalling $187,903 (2001 - $594,773) are not included in the loan portfolio. The statement of operations and equity includes a recovery of $374,111 (2001 expense of $52,065) for forgivable loans made during the year or in past years.

Conditional repayable contributions totalling $15.6 million (2001 - $12.1 million) are not included in the loan portfolio. The statement of operations and equity includes a charge of $3.7 million (2001 - $9.0 million) for the disbursement of conditional repayable contributions during the year.

Charges for both forgivable loans and conditional repayable contributions are included in development expenses. If terms and conditions of the forgivable loans or conditional repayable contributions are not met, the amounts will become due and payable. Any amounts that would be recorded at that time would be net of any required allowance for loan impairment.

In 1999, the Corporation transferred ownership of the Sydport Industrial Park to a private sector group. The original sale price for this transaction was $3.1 million. The balance outstanding at March 31, 2002 is $2.9 million (2001 - $3.1 million). The intent of the agreement is that credit for the mortgage and interest will be earned by the private sector group through creation of jobs and investment in the Park. If the purchaser significantly violates the terms of the agreement, the Corporation has the right to retake possession of the property.

6. Investments

The Corporation has made investments to promote economic development in Cape Breton. Management has recorded these investments net of an allowance for impairment. The balance consists of:

	2002			2001
	Amount Due	Allowance	Carrying Value	Carrying Value
Interest in Office Building	$ -	$ -	$ -	$ 300,000
Shares/Partnership Units	1,000,000	(700,000)	300,000	100,000
	$1,000,000	$ (700,000)	$ 300,000	$ 400,000

The Corporation's share in the net income, based on its percentage interest of the office building, is $124,381 (2001 - $97,814). The Corporation's interest in the office building ended during the year. The realization of this investment is reflected in accounts receivable. The shares and partnership units consist of non-voting redeemable and retractable preferred shares and partnership units in private sector entities. No dividends were received or declared during the year (2001 - nil).

The allowance for doubtful investments is based on significant assumptions by management of the timing, amount and discount rate. If these assumptions vary, the amounts could be significantly different. The fair values of investments, determined using discounted contracted future cash flows, approximate their carrying value.

7. Investment in subsidiary

A summary of the audited financial position and results for the fiscal year of operation of the Growth Fund are:

Balance Sheet	As at March 31, 2002	As at March 31, 2001
Assets	$41,323,831	$18,172,599
Liabilities	2,798,504	180,436
Shareholder's equity	38,525,327	17,992,163

Statement of Operations	For the year ended March 31, 2002	For the 7 Months Ended March 31, 2001
Program Expenses	$ (7,642,949)	$ -
Program support and administrative expenses	(1,283,080)	(305,686)
Interest income	1,359,193	257,920
Funding from Enterprise Cape Breton Corporation	25,000,000	15,000,000
Other government funding	3,100,000	3,039,928
Net income after government funding	$20,533,164	$17,992,162

The Growth Fund has issued one $1 share. This share represents the Corporation's investment in the Growth Fund and is accounted for using the cost basis of accounting. Therefore, the results of the Growth Fund are not reflected in these financial statements.

8. Capital assets

	2002			2001
	Cost	Accumulated Amortization & Write Down	Net Book Value	Net Book Value
Land for development	$ 345,805	$ 341,596	$ 4,209	$ 4,209
Equipment, Furniture and Leasehold	1,777,232	1,330,978	446,254	386,140
Rental facilities	2,503,690	2,326,506	177,184	-
	$4,626,727	$ 3,999,080	$ 627,647	$ 390,349

9. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of:

	2002	2001
Due to the Atlantic Canada Opportunities Agency	$ 400,626	$ 428,444
Payable on behalf of the Atlantic Canada Opportunities Agency	4,350,711	4,973,699
Other payables	4,317,616	3,410,938
	$ 9,068,953	$ 8,813,081

The amounts due to and payable on behalf of the Atlantic Canada Opportunities Agency relate to activities on behalf of the Agency pursuant to the memorandum of understanding. Other payables are subject to normal commercial conditions and relate to development and administrative expenses.

10. Program expenses

Development and other program expenses consist of:

	2002	2001
Development expenses		
Access to capital	$ 9,049,324	$14,694,282
Tourism marketing	506,128	846,917
Trade and investment	200,588	277,236
Policy and advocacy	159,569	193,258
Image	157,755	55,559
Strategic initiatives	27,565	190,093
	$ 10,100,929	$16,257,345
Other program expenses		
Program support	$ 1,183,232	$ 1,628,730
Rental facilities	141,618	143,834
	$ 1,324,850	$ 1,772,564

11. Commitments

(a) As at March 31, 2002, the Corporation had outstanding commitments for development programs in the amount of $4,028,940 (2001 - $5,926,335).

(b) Future minimum payments by fiscal year on operating leases in excess of one year are as follows:

2003	$ 475,108
2004	475,108
2005	475,108
2006	39,592
	$ 1,464,916

12. Related party transactions

In addition to those related party transactions disclosed elsewhere in these financial statements, the cost of services provided by other federal government departments, agencies, and Crown corporations are reflected in the statement of operations and equity and totalled $97,949 (2001- $100,668). These transactions are in the normal course of operations and are recorded at the exchange amount.

The Corporation has entered into a memorandum of understanding with the Cape Breton Growth Fund Corporation that governs the amount of the contribution to the Growth Fund and the provision of administrative and program support services. In addition, the Corporation provided and recovered program and administrative support of $762,935 (2001 - $232,130) and $2,848 (2001 - $54,640) for capital assets from the Growth Fund.

13. Pension plan

During the year the Public Service Superannuation Plan (PSSA) required the Corporation to contribute to the PSSA at a rate of 2.14 times the employees' contributions. Contributions to the PSSA during the year were as follows:

	2002	2001
Corporation	$ 392,028	$ 307,750
Employees	178,800	159,073
	$ 570,828	$ 466,823

14. Severance benefits

The expense for the Corporation's severance benefits for the year ended March 31, 2002 is $78,376 (2001 - $154,931).

Human Resources

"ECBC's commitment to Human Resources Development is a reflection of our belief that our strength lies in our people." Rick Beaton

ECBC delivers its programs and services with a staff of 53, working primarily from its corporate headquarters in Sydney and a satellite office in Port Hawkesbury. The organization is relatively young, with an average employe age of 43.4 years. The management team reflects the relative youth of the organization, with an average age of 45.5 years. A full 68% of staff are 45 years of age or younger, and nearly half of the Corporation's employees (49%), fall within the 36-45 year-old range. Employees bring a wide range of educational expertise to their positions and many have considerable experience in the private sector. Almost 20% of staff hold professional designations and another 12% hold masters degrees. Over 5% of staff have French as their first language and 13% are bilingual in English and French. The vast majority of staff is from Cape Breton Island and Mulgrave.

The Corporation recognizes that its ability to deliver quality service and professional advice to the people it serves depends on the calibre of its staff. To this end, in the renewal of its HR policy, the Corporation has placed increased emphasis on recruitment, workplace well-being, and learning.

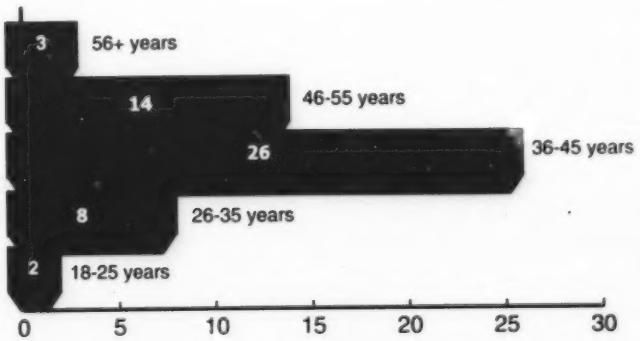
Significant changes over the last two years have resulted in a total of 16 new hires within the organization. The majority of these positions have been in the area of commercial programs. These employees, including seven chartered accountants, have strong credentials in business consulting, counselling and accounting. New positions have also been created in communication, internal audit, and corporate services and support.

ECBC's relatively small numbers lend themselves well to workplace well-being. The atmosphere is always cordial and professional. The Corporation offers an attractive pay and benefits package. A compensation structure has been adopted which ensures market comparability with a number of private and public sector organizations. For professional well-being, management stresses the importance of collaboration, innovation and ongoing training.

Average age	43.4
Average age Senior Management	45.5
Years of service	
Less than 10 years	36
More than 10 years	17
Total staff complement	53

Employee Demographics by Age Group

(March 31, 2002)



Human Resources

Employees have a stake in the success of the organization and are encouraged to contribute to the Corporation through their innovative ideas and suggestions. Assignment opportunities are encouraged. By way of personal well-being, an employee assistance program is available and, through the co-operation of other Government of Canada entities in the area, employees have preferential access to top quality fitness facilities. Where possible, the Corporation accommodates a flexible work schedule.

ECBC's commitment to staff training is demonstrated by the extent to which it has encouraged staff to pursue higher education. In each of the last two years, ECBC has provided approximately $80,000 for education and training. In that time period, eight staff members have completed university degrees, while another six have obtained graduate certificates or diplomas. Other employees have opted for shorter courses and workshops.

The Corporation recently canvassed staff to determine the level of interest in pursuing additional French language training. Ten staff members expressed an interest and were assessed for their linguistic aptitude. Plans are in place to provide the necessary training to selected individuals over the next three years.

Performance planning and evaluation is integral to successful HR management. The Corporation has recently updated its performance planning and evaluation system, placing increased responsibility for human resource planning on unit managers. Every employee is encouraged to identify at least one training opportunity to be completed in the course of the fiscal year.

ECBC's human resource development initiatives address both the current and long-term needs of the organization. The Board of Directors has recently adopted a management succession plan which, through a combination of recruitment, work place well-being and training, provides for an orderly transition of key responsibilities within the organization as current staff move on or retire.

The Corporation's attention to human resource development bodes well for the future of the organization and its ability to provide a consistently high standard of service to the public.

Corporate Social Responsibility

Protecting the Environment

Human Rights

Conducting Business Ethically

Maintaining Confidentiality of Information

Investing in Youth and Education

Commitment of Official Languages

Community Outreach

Protecting the Environment

In considering transactions, ECBC examines environmental risk along with financial risk. ECBC follows the process defined by the *Canadian Environmental Assessment Act* (CEAA). Although not subject to the CEAA, ECBC voluntarily follows the process prescribed by the Act in order to ensure the protection of the environment. Through the services of Public Works and Government Services Canada, all projects are assessed for environmental impacts and, if required, mitigation measures are identified. Any identified mitigation measures are incorporated into the terms and conditions of the assistance agreement between ECBC and the applicant. ECBC will encourage best practices among those with whom it does business, with the aim of raising environmental standards.

Internally, ECBC is committed to the principles of sustainable development. The adoption of duplex printers, increased recycling awareness, and the elimination of disposable cups are a start. ECBC continues to examine the possibility of alternative fuel vehicles, but limited fuel supply in some areas of the Island has prevented their adoption.

Human Rights

ECBC employees, representatives and other stakeholders are entitled to have their dignity as human beings respected and to work in an environment free from intimidation, hostility or offensiveness. ECBC is, therefore, committed to creating and maintaining a work and business environment that is free from harassment and discrimination on prohibited grounds. These prohibited grounds include age, race, colour, religion, creed, sex, nationality, ethnic or place of origin, citizenship, language, political belief, marital or family status, pregnancy, sexual orientation and disability. ECBC's policies on human resource matters are regularly reviewed to ensure that ECBC remains an employer of choice on Cape Breton Island.

The Corporation has a harassment policy and two non-management employees trained as harassment advisors, through whom employees may file complaints.

Corporate Social Responsibility

Conducting Business Ethically

Employees and representatives of ECBC have a duty to act in the best interests of ECBC at all times. A conflict of interest arises when an employee must choose between ECBC's best interests and his/her own. The judgment of ECBC employees and representatives must be, and must be seen to be, independent of any personal or financial interests that arise from business dealings, social ties, or other personal considerations.

ECBC has a Code of Conduct that requires employees and representatives of ECBC to adhere to the highest standards of conduct with respect to conflicts of interest. Compliance with these standards is achieved through avoidance, disclosure, discontinuance or divestment.

Maintaining Confidentiality of Information

ECBC respects the privacy rights of its stakeholders, including their right to security of information. ECBC preserves confidential information in its possession, and uses such information only for corporate purposes.

Some employees have access to sensitive or confidential information that, if released, could significantly harm ECBC, its employees or other stakeholders. Therefore, employees and other representatives of ECBC use extreme care when handling such information. As a general rule, such information is not provided to ECBC employees or representatives other than on a need-to-know basis or to anyone outside ECBC who is not authorized or legally entitled to receive it.

Investing in Youth & Education

Since its inception, ECBC has been committed to partnering with educational institutions and key stakeholders to build an economy that offers opportunities for youth.

Through its scholarship program, ECBC provided 16 students with scholarships totalling $11,200. The scholarships are provided to students who demonstrate academic excellence to assist them in their post-secondary educational pursuits.

In 2001/2002, ECBC invested a total of $467,000 in post-secondary educational infrastructure through support to the University College of Cape Breton and the Nova Scotia Community Colleges (Marconi Campus and the Strait Area Campus).

ECBC supports students by hiring them for summer and work-term placements. In 2001/2002, six students were hired with backgrounds in business, sciences, arts and agri-business.

Official Languages Act (OLA)

ECBC works to ensure compliance with the *Official Languages Act* (OLA), both in its operations and in its outreach activities. The Corporation has developed a close working relationship with minority language communities on Cape Breton Island. A new bilingual development officer has been engaged to serve the two Francophone communities on the Island. In 2001/2002, the Corporation participated in the establishment of new tourism and heritage facilities in these communities, as well as the development of information technology infrastructure and training opportunities. Commercial clients in these areas have accessed ECBC programs and the Corporation has provided assistance as the communities prepare for the Congrès mondial des acadiens which takes place in Nova Scotia in 2004.

ECBC, as a Crown corporation, is not obliged to participate in the co-ordination activities of the Department of Canadian Heritage pursuant to section 42 of the Act. However, given the Corporation's economic development mandate and the mandate's relevance to the vitality of the minority language communities, the Corporation collaborates with Canadian Heritage on the implementation of section 41. ECBC also participates in a province-wide committee for the promotion of official languages, organized through the Nova Scotia Federal Council. ECBC has appointed an official languages champion, who liaises with the Treasury Board and other Crown corporations for the promotion of official languages within both the Corporation and its mandate area.

Community Outreach

Through the generosity of ECBC staff, in terms of both money and time, ECBC contributes positively to the local community. ECBC staff raise funds for various charities by participating in United Way campaigns, recycling beverage containers, "casual days" and raffles. Funds raised are provided to Big Brothers/Big Sisters, local food banks, and to assist needy families at Christmas. The Corporation fully supports volunteerism and the staff who choose to participate in such activities.

Board of Directors

The current composition of the ECBC Board of Directors is as follows:

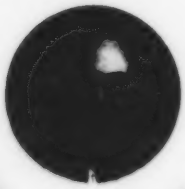
Dennis Wallace
Appointed Chairman of the Board and President of the Atlantic Canada Opportunities Agency on September 4, 2001. Prior to this appointment, he had been Associate Deputy Minister of Indian & Northern Affairs Canada for three years.

Rick Beston
Vice-President and COO, formerly Director General of Programs with ACOA - Prince Edward Island and Departmental Liaison to the Minister's Office, ACOA - Ottawa

Betty Ann AuCoin
Administrator Hôpital Sacré-Coeur and Foyer Père Fiset, Chéticamp, Nova Scotia

Spyro Trifos
Architect, owner/operator of Trifos Design Consultants, Sydney, Nova Scotia

Ferne MacLennan
Educator (Nova Scotia Community College, Strait Campus) and community economic development activist, River Denys, Nova Scotia



Curtis Karrel
Businessman, owner/operator of Island Distributors as well as other business interests, Sydney, Nova Scotia
Member, Audit Committee

Gregory MacKenzie
C.A. and Trustee in Bankruptcy - senior principal with KPMG Chartered Accountants, Sydney, Nova Scotia
Chair, Audit Committee

Corporate Governance

Joe Wild
Legal Counsel and
Corporate Secretary

Throughout 2001/2002, the Board of Directors has been focused on managing change. Continuing the work begun last year, the Board made significant strides toward full implementation of the new corporate governance framework.

As a result of suggestions put forward by Board members in 1999/2000, the Conference Board of Canada was asked to facilitate an exercise benchmarking ECBC's corporate governance practices. This exercise, completed last fiscal year, led to the development of a new governance framework, which entrenches the role of the Board in areas of enterprise risk management, strategic and corporate planning, and policy development. The framework describes and clarifies the roles of Management and the Chief Operating Officer. In addition, responsibility mandates were crafted for the Chair and Audit Committee.

This year the Board participated in a joint retreat with senior management, facilitated by the Conference Board of Canada, and held seven meetings and three conference calls. The bulk of the Board's work through this period focused on adopting the new policy framework which forms the basis of the enterprise-wide risk management system. The Board delegated significant transactional authority to senior management and approved a new corporate planning process.

The Board's Audit Committee, chaired by Mr. Greg MacKenzie, met three times. In addition to its work on the loan portfolio, the Committee focused its efforts on providing guidance to the Internal Audit Unit, reviewing internal controls, and ensuring that the Corporation's internal systems are effective and efficient.

What follows is a self-assessment of ECBC's corporate governance practices against the Guidelines for Corporate Governance in Crown Corporation's produced by the Department of Finance and the Treasury Board of Canada. Keeping in mind that the guidelines are meant to be tailored to meet the needs of a particular governance framework, it is not always possible or desirable to fully comply with each and every one. Where appropriate, plans for 2002/2003 are identified.

Corporate Governance

Guidelines for Corporate Governance in Crown corporations & Other Public Enterprises (Department of Finance and Treasury Board of Canada)

Board Responsibilities	Comment	Plans for 2002/2003	Status
1. The Board of Directors of every Crown corporation should explicitly assume responsibility for the stewardship of the Corporation			
a. Approve the strategic direction and Corporate Plan	• Fall 2001 - Board/Management retreat to develop new strategic and corporate planning framework • Fall 2001 – Board met to discuss Plans, priorities, and objectives • January 2002 – Management met one-on-one with Board members to review the draft Corporate Plan	• Increased Board involvement through participation in retreat to discuss strategic/ Corporate Plan and community consultations	
b. Identify principal risks and ensure adequate Management systems have been implemented	• A system of risk assessment at the project level has been in place for a number of years • The Board has taken responsibility for managing risk at a corporate level • 2001/2002 – Board approved policies providing Management with guidance on the nature of projects and assistance that Management can approve • 2001/2002 – Regular reports provided to the Board on the status of the loan/equity portfolio as well as progress against performance targets	• Introduce an accountability framework • Further policy refinement • Fine-tuning of information systems and reporting	
c. Approve Management's succession plan	• 2001/2002 – Management presented the Board with a succession plan and discussed the training and development of potential management candidates	• Training needs further defined and commenced	

Not fully compliant, no action initiated or planned
Not fully compliant, action initiated
Compliant with guidelines

Board Responsibilities	Comment	Plans for 2002/2003	Status
d. Ensure that the information systems and Management practices have integrity and meet the needs of the Board	• 2000/2001 – Independent confidential survey indicated that the Board liked the quantity and quality of the information provided, but it could be more timely • 2001/2002 – Management committed to providing information to the Board at least seven days before the meeting, whenever possible • Management solicits informal feedback from the Board during Board meetings • 2001/2002 – Audit Committee requested Management review of internal controls. The systems managing travel expenses, capital expenditures, training, etc., were reviewed and deemed satisfactory by the Committee • Fall 2001 – Board approved a responsibility mandate for the Audit Committee		

Public Policy Objectives	Comment	Plans for 2002/2003	Status
2. The Board of Directors of every Crown corporation should examine its public policy objectives and periodically the legislated mandate to ensure their continuing relevance			[redacted]
a. Document the current public policy objectives of the Corporation	• 2001/2002 – Board adopts new strategic planning framework • 2001/2002 - Board reviewed mandate and mission statement of ECBC during the corporate planning process	• Board to meet with the shareholders at least two times a year to discuss plans and priorities	
b. Appreciate the contemporary trade-offs between competing public policy and commercial objectives of the Corporation	• ECBC reliant on Parliamentary appropriation as primary source of funds • Clear, public policy objective, i.e. economic development • Commercial initiatives are, generally, operated on a cost recovery basis in support of mandate		
c. Assess the relevance of the Crown corporation's mandate, and, if appropriate, propose changes for the consideration of the appropriate minister	• 2001/2002 - Board reviewed the mandate, mission, and priorities during the corporate planning process • Board considers it to be the role and decision of the shareholder to perform or request a formal, indepth review of the legislative mandate		

Corporate Governance

Communications	Comment	Plans for 2002/2003	Status
3. The Board of Directors of every Crown corporation should ensure that the corporation communicates effectively, with the Crown, other stakeholders and the public			
a. Communication Responsibilities *(Shareholder and stakeholder)*	• Chair and COO have primary responsibility for communicating with the shareholders on behalf of the Board • COO has primary responsibility for communicating with stakeholders	• Board to meet with shareholders twice a year to discuss plans and priorities • Board will be involved in stakeholders consultations related to strategic/ corporate Plan	
b. Reporting Responsibilities	• Primary vehicles are the Annual Report and Corporate Plan • 2001/2002 – ECBC continued implementation of the performance measurement framework instituted in 2000/2001	• Further refinement of performance measurement and reporting systems	

Board and Management Relations	Comment	Plans for 2002/2003	Status
4. Boards of Directors and Management should develop an effective working relationship			
a. Allocating Responsibilities	• Board and Management have an effective working relationship (1999/2000 Board survey rated relationship 3.82 out of 5.00) • 2001/2002 – Board, Management, and the Conference Board of Canada developed Responsibility Mandates for the Board, Chair, COO, Management and Audit Committee • Mandates clearly assign responsibility for consulting, developing, verifying, reviewing, recommending and approval of various matters		
b. Building a Relationship **c.** Establishing Accountability	• Board annually reviews and renews accountability accord with the COO • Board has clear responsibility for approving strategic direction, plans, priorities, and policies • 2001/2002 - Board delegated most project approvals to Management • Projects $1 million and over or which represent significant risk to ECBC, require Board approval	• Board and Chair will develop an annual accountability accord	

Board Independence	Comment	Plans for 2002/2003	Status
5. The Board of Directors should ensure that the Board can function independently			
a. The roles of the Chair *(The Guideline suggests that the roles of the Chair and CEO should be separated)*	• Pursuant to *ECBC Act*, the Chair is the CEO and a part-time position • Reflection of the intention of the shareholder • Cannot comply without changing *ECBC Act* • Operational control for day-to-day activities is vested in the COO • COO performs duties and responsibilities typical of CEOs in other Crown corporations		
b. Meeting as Board	• The Board meets in-camera as required		
c. Public Servants as Directors	• Five of seven Board members are not public servants • COO is a Governor-in-Council appointee currently filled by a public servant • Under the *ECBC Act*, the Chair is the President of ACOA, thus a public servant		
d. The Use of Committees	• The Board has only one Committee, the Audit Committee • 2 of 3 voting members are outside directors, including the Chair • Due to the size of the Board, 7 members, it has not created other committees		
e. Independent Advice	• The Board has a procedure in place whereby directors may avail themselves of independent advice		
f. Conflict of Interest	• The Board, through by-law, has adopted a code of conduct, outlining the procedure for declaring conflicts of interest in compliance with the *Financial Administration Act* and the applicable portions of the Conflict of Interest and Post-Employment Code for Public Office Holders		

Not fully compliant, no action initiated or planned
Not fully compliant, action initiated
Compliant with guidelines

Corporate Governance

The Position of the CEO	Comment	Plans for 2002/2003	Status
6. In recognition of the importance of the position of the CEO, the Board of Directors of every Crown corporation should periodically assess the CEO's position and evaluate the CEO's performance	Under ECBC's governance model, the CEO is a part-time position and focuses on performing the role of Chair. The COO has managerial responsibility to the Board for day-to-day activities		
a. Assessing the CEO's Position *(The guideline suggests Minister should consult with the Board on the appointment of the CEO)*	• The President of ACOA serves as the ex-officio, Chair and CEO of ECBC • No Board involvement in selecting the Chair/CEO due to this arrangement • The COO acts as the CEO under ECBC's governance model		
b. Evaluating Performance	• The COO has an accountability accord that is reviewed and renewed each year • Board views on the performance of the COO and CEO are communicated to the Minister and PCO	• Board and Chair will develop an annual accountability accord	

Renewal of the Board	Comment	Plans for 2002/2003	Status
7. The Board of Directors of every Crown corporation should assess its effectiveness and initiate renewal of the Board			
a. Assessing the Board	• 2000/2001 - Board participated in an independent assessment of its governance practices • 2001/2002 - Board, with the help of the Conference Board of Canada, prepared a skills profile and sent it to PCO and the Minister	• The Board plans to perform another assessment of its effectiveness and governance practices	
b. Renewal of the Board	• The Board's views on appointments are communicated to the Minister • Management approaches the Board, at least 6 months before the expiry of a member's term, for input into the skills and possible candidates they think should fill the vacancy		

Education of Directors	Comment	Plans for 2002/2003	Status
8. Directors of Crown corporations should receive orientation and education appropriate to their needs			
a. New Directors	• An orientation package and program have been developed for new directors		
b. Ongoing Education	• Board members are encouraged to attend conferences on relevant topics • 2001/2002 - Board members participated in conferences or retreats on corporate governance and economic issues as well as trade missions		

Compensation	Comment	Plans for 2002/2003	Status
9. The Board of Directors should review the adequacy and form of compensation for directors			
	• When requested, the Board reviews compensation and provides its views to the Minister or PCO		

Responsibility for Corporate Governance	Comment	Plans for 2002/2003	Status
10. The Board of Directors should assume responsibility for developing the Crown corporation's approach to governance issues			
	• 2001/2002 – Board developed a corporate governance implementation plan, with the assistance of the Conference Board of Canada • Corporate governance is a regular agenda item at Board meetings	• The Board is planning to have an independent review of its corporate governance practices and framework	

Not fully compliant, no action initiated or planned

Not fully compliant, action initiated

Compliant with guidelines